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Second-class postage paid at Washington, D.C.
USPS I.D. No. 14209; Publication No. 551640; ISSN
0745-1253

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How to Make the President's Good Tax Reform Plan Even Better

Henry J. Aaron

THE CURRENT income tax system suffers from three extremely serious problems:

- The tax base has been narrowed. As a result, the tax system needlessly distorts consumption, saving, investment, and production.
- Because the tax base has been narrowed, rates are higher than necessary to raise current revenues. These unnecessarily high rates aggravate economic distortions and inequities.
- The tax system raises too little revenue to pay for current government expenditures or for expenditures that will remain after Congress is done cutting all the spending programs it can.

The president's program deals in some measure with the first two problems, but it does nothing about the third.

Even if no changes in it were made, President Reagan's tax plan would represent, in my view, an advance over the current system. But restoration of some of the innovative and constructive proposals put forward by the Treasury Department last November (and eliminated by the White House) could greatly improve it.

The Tax Base and Rates

The U.S. economy is based on the principle that individuals and businesses are better qualified than government to decide how to produce income and how to spend it. This principle is not absolute, as the existence of large government expenditures and far-reaching regulations attests; few would leave policy on national defense, social security, or the national parks wholly to individual decisions.

On the revenue side, deference to the wisdom of the market implies that we should design our taxes to distort economic decisions as little as possible. Again, the principle is not absolute. For example, most of us are prepared to support tax rules that encourage charitable giving. But the presumption does mean that anyone who would use tax policy to skew the voluntary decisions of entrepreneurs, managers, and consumers should have to demonstrate that the purpose of a proposed tax incentive is important, that the incentive would advance that purpose better than alternative instruments would, and that the gain would be worth the increased complexity that a new provision would generate.

The job of trying to reform our tax system is so hard in part because that standard of persuasion has been flouted recklessly and often and in part because it is very hard to measure and to tax some kinds of economic income. Over the years, through both inadvertence and intention, various sources and uses of

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"Most of these tax provisions were designed to advance meritorious objectives. The problem is that they do so with gross inefficiency, scattering incentives helter-skelter in patterns often unrelated to their purposes."

income have received favored tax treatment.

The current zoo of exclusions, deductions, credits, exemptions, and allowances is the result. Most of these tax provisions were designed to advance meritorious objectives. The problem is that they do so with gross inefficiency, scattering incentives helter-skelter in patterns often unrelated to their purposes. In addition, each new tinkering with the tax code adds to its complexity. The result is that ordinary taxpayers cannot understand the rules and suspect rightly that they are forced to pay more tax than they should to cover the loss of revenue from clever tax avoidance by those who can afford costly advice. And although the maximum personal tax rate has come down in recent years, the rate faced by the typical taxpayer has gone up, in large part because of the unplanned and uncoordinated use of the tax system to achieve nonrevenue objectives.

Measuring Business Income

Current law imposes ridiculously uneven taxes on business income. The Treasury Department, the Council of Economic Advisers, and numerous economists and business analysts have documented the large variation in effective tax rates.¹ Depending on the source of funds, the type of investment, the nature of ownership, and the industry in which the investment occurs, effective rates of tax for broad classes of investment can vary from positive rates of over 90 percent to negative rates (actual subsidies) of more than 20 percent.² In particular, business equipment is heavily favored over structures, and profits on nondepreciable capital are taxed most heavily of all. Such enormous variations in effective tax rates induce appalling economic inefficiency.³

These discrepancies flow from a number of sources. Among the most important are:

- the investment tax credit, which discriminates against investments in structures and inventories and in favor of investments in equipment;
- depreciation schedules that deviate from true economic depreciation by widely different amounts for various assets and that, since depreciation deductions are not in-

dexed, deviate by different amounts depending on the rate of inflation;

- interest deductions that are not indexed for inflation and, hence, lead to very different returns on equity investments depending on the degree to which they can be financed by debt;
- the failure of current law to index capital gains for inflation and to tax real gains in full.

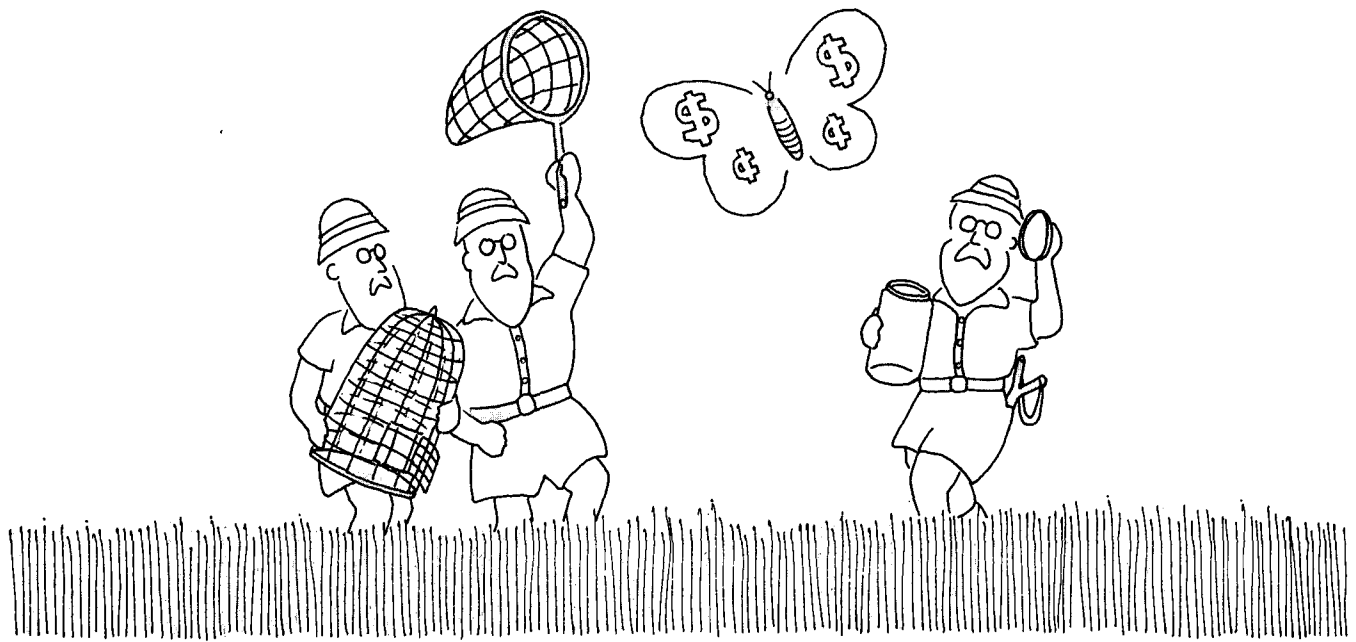
In short, the problems arise in large part from the failure to measure business income correctly.

The president's plan would reduce those discrepancies. The most important of the general provisions are: repeal of the investment tax credit; replacement of the ACRS depreciation system with indexed and somewhat accelerated depreciation rules; and the indexation of some capital gains.

These reforms do not go as far as provisions recommended last November by the Treasury Department in narrowing differences in effective rates on different kinds of investment.

- The depreciation schedules recommended in November came close to matching true economic depreciation indexed for inflation. The president's plan provides greater-than-true economic depreciation for structures, and the discrepancy is especially large for equipment.
- In November, Treasury proposed to index all capital gains for inflation and then to tax them like other realized income. The president's plan does not index most capital gains, and it would exclude 50 percent of long-term gains from tax; the exceptions are capital assets used in a trade or business, which would be indexed and real gains from the sale of which would be taxed in full.
- In November, the Treasury recommended a "rough justice" method of indexing interest income and expense for inflation. The president's plan skips this vital adjustment entirely. The Treasury proposals were flawed, but they could have been significantly improved with modest changes.

Are there good grounds for according more favorable tax treatment to equipment and other depreciable capital than



to other types of investment? Are special capital gains rules justified for nondepreciable capital and depreciable capital not used in a trade or business? The answer to both questions is: no.

Two principal arguments are advanced for taxing equipment at lower rates than those applied to other investments. First, it is alleged that investments in equipment add more to productivity than do other investments. Second, it is asserted that because the U.S. dollar is overvalued, American firms trading in international markets need help against foreign competitors.

The Productivity Argument for Favoring Investment in Equipment. The first argument — that investment in equipment increases productivity more than other investment does — makes no economic sense whatsoever. If productivity or profitability were higher on equipment than on other investment, the market would surely recognize that advantage. Why are subsidies needed? For any given national savings rate, output and growth are maximized when investment flows to where private rates of return undistorted by taxes are as high as possible.

To be sure, there are times when subsidies to *particular* industries are justified. When they are, we should not foul our tax system with poorly-targeted tax concessions to a broad category of investments. We should own up and provide a subsidy to the firm or activity we wish to assist.

When tax concessions push whole classes of investments with relatively low (and sometimes even negative) rates of return ahead of investments with high rates of return, output may even be reduced and welfare certainly will be. And this is just as true when the low productivity investment pushed to the head of the queue by tax advantages is called equipment. Though investment in structures and inventories may not tickle our technological fancies the way robotics and continuous casting do, they are better investments whenever they yield higher before-tax returns. By preventing the market from rendering its verdict, current tax breaks for equipment diminish the efficiency of our economy and the ability of U.S. firms to compete with foreign ones. These tax concessions are not pro-growth; they

are anti-growth.

Let me be clear. A strong case can be made for trying to increase saving by Americans. And a case can be made for a *uniform* incentive for all investments. But no respectable case can be made for systematically distorting the allocation of capital into low-productivity uses.

International Competition. Some people grant the general undesirability of using tax concessions to favor certain investments, but argue that they are justified at this particular time to help U.S. firms against foreign competition. In appraising this argument, one should keep in mind that all existing or proposed tax concessions for investment would apply equally to capital goods produced here and those produced abroad; discrimination based on place of manufacture would violate the General Agreement on Tariffs and Trade (GATT). Hence, tax concessions may increase total U.S. demand for equipment, but they in no way assure that the incremental demand will be for equipment *made in the United States*.

But what about users of capital goods? Wouldn't tax concessions for the purchase of equipment help them against foreign competitors? The answer is: not much. In 1983, of total value added in nonfinancial corporations in the United States, about 24 percent was attributable to capital. But only about 4 percent was net income attributable to equipment. Even if the effective tax rate on net income attributable to equipment were increased by 25 percent and all of the increase were shifted forward to purchasers in the form of higher prices, the effect would be only a 1 percent increase in prices. Since the value of the dollar often changes by 2 percent or more in one day and many experts estimate that the dollar is overvalued by 30 to 40 percent, it would be hard to detect any direct impact on international competitiveness of the increase that the president has requested in taxes on equipment.

It is not legitimate to argue that low tax rates serve to encourage investments that in turn reduce the prices of U.S. products by large amounts. Tax concessions may make the difference for marginal investments, but investments with high returns will be undertaken without added induce-

"Should we not deal squarely with the problems of high real interest rates, overvaluation of the dollar, and enormous budget deficits instead of settling for placebos in the form of investment incentives that do nothing about the real issues and distort the economy at the same time?"

ment from the tax law. The reduction in production costs cannot be large; if it were, the project would pass muster without the tax inducement.

Those who claim that certain tax provisions must be retained to preserve America's international competitiveness should not go unchallenged. They should be asked to show in detail, not by glib generalities, how the U.S. position in world markets would be strengthened by the measures they espouse — how, for example, the advantages of a 20 percent lower tax rate on equipment, or even on both equipment and structures, could offset perceptibly the disadvantages of a grossly overvalued dollar. Should we not deal squarely with the problems of high real interest rates, overvaluation of the dollar, and enormous budget deficits instead of settling for placebos in the form of investment incentives that do nothing about the real issues and distort the economy at the same time?

Capital Gains. Congress can strengthen the president's plan by replacing his recommendations regarding the taxation of long-term capital gains and the measurement of depreciation with the Treasury Department's proposals on these points. Under the Treasury plan, tax would be levied only on real, inflation-adjusted gains. No tax would be imposed on illusory gains caused by inflation, as can occur under current law or under the president's proposal.⁴ The Treasury's proposed depreciation schedule would approximate true economic depreciation, thereby ending the distortion of investment decisions that is attributable to discriminatory rules.

Interest Indexing. Under current law, borrowers are allowed to deduct from ordinary income the inflation premiums in interest payments, and lenders are required to pay tax on these premiums. The premiums vary with the rate of inflation and can be large. Current tax treatment fosters tax shelters and distorts the allocation of investment. Indexing, which would prevent inflation premiums from affecting tax liabilities, is essential if these distortions are to be avoided.

The Treasury Department put forward an imaginative indexing proposal last November. It contained two major

flaws—one regarding the treatment of financial institutions and the other dealing with owner-occupied housing — but these could readily be corrected. The proposal would create difficult problems of transition, and it would necessitate some additional computations by taxpayers. However, the importance of removing inflation premiums from the tax system fully justifies incurring these inconveniences.

The gains to be derived from accurate measurement of capital income would be very substantial.⁵ Not only would this reform improve the allocation of capital and add to economic efficiency, but it would also reduce the need for business planners to take tax factors into account in planning investments. The significance of achieving this goal — pushing tax planning out of its currently preeminent place in the corporate boardroom — dwarfs that of adding or subtracting a few lines from the form 1040.

Measuring Personal Income

The president proposes to broaden the personal income tax base in a number of ways and to use the revenues from base-broadening to lower personal tax rates. In most respects, his plan is markedly more timid than the one advanced by the Treasury Department. Treasury proposed to raise \$19 billion in 1990 by taxing certain fringe benefits; the president would raise only \$4 billion. Treasury proposed to raise \$45 billion in 1990 by curbing itemized deductions; the president would raise \$40 billion.⁶

Fringe Benefits. The president's plan is too timid in its approach to fringe benefits. The exclusion of fringe benefits encourages employers to provide them even when workers would prefer consumption goods of equal economic cost that they must buy themselves. The reason, of course, is that consumption through fringe benefits is subsidized to the extent of forgone personal taxes.

At the same time, we all recognize that there is some value — to society as well as to the individuals involved — in assuring that people have basic health insurance or some life insurance, and we understand that people sometimes lack the foresight to provide these things for themselves.

"In a well-ordered world, grants-in-aid would reflect perfectly the benefits and costs of state and local services, and no deductions would be permitted for state and local taxes. In fact, our system of grants is far from ideal, and it is being scaled back in the face of budgetary exigencies."

The question is how to continue encouraging the provision of basic levels of certain benefits, while discouraging the excesses traceable to the currently unlimited tax incentive.

The Treasury got matters about right last November when it recommended a ceiling on the exclusion from personal income tax of employer-financed health insurance and the full taxation of all other noncash fringe benefits. But this approach encountered strong opposition, especially from the chairman of the Senate Finance Committee.

As a compromise, Congress might extend to all noncash fringes the principle the Treasury Department would have applied only to health insurance. Each individual would report the dollar value of all currently excluded fringe benefits — employer-purchased health insurance, group term life insurance, cafeteria plans, and other smaller items — and would be required to include in income the amount by which the total value of these benefits exceeded a specified threshold.

This approach has some advantages over both the president's plan and the Treasury Department's November proposal. It would raise more revenue from the inclusion of fringe benefits than would the president's plan. Like the Treasury proposal, it would tend to increase sensitivity to medical costs by denying deductions for the last dollars spent on excessively generous health insurance plans. But unlike the Treasury plan, it would not extinguish the exclusion of any particular fringe benefit. Rather, it would retain tax incentives for the provision of specified types of fringe benefits, permitting employers and employees to choose among these options. It would simply put an end to the abuse of unlimited exclusion of fringe benefits.

State and Local Taxes. A good deal of controversy has centered on the recommendation by the president and the Treasury Department that deductions for state and local taxes be disallowed. A strong argument can be made that some of the costs of the services provided by a state or locality should be borne by people who live outside its borders. Many such services benefit people who live in other jurisdictions. For example, expenditures to educate children in Mississippi, New York, or Oregon clearly affect my

well-being as a resident of Washington, D.C. If I do not pick up part of the cost, it is quite possible that residents of those states, who derive only part of the benefits from their education expenditures, may spend too little. The same logic applies to many other state or local services, including police protection, health expenditures, and welfare outlays. We are simply too mobile and interconnected a society to treat each jurisdiction as a fiscal island.

The foregoing line of argument points toward a system of grants-in-aid from higher- to lower-level jurisdictions. It does not, however, point toward the particular pattern of implicit grants that the deductibility of state and local taxes has led to — a pattern in which the size of a jurisdiction's implicit grant depends on how many local residents itemize their deductions and on what their tax brackets are.

In a well-ordered world, grants-in-aid would reflect perfectly the benefits and costs of state and local services, and no deductions would be permitted for state and local taxes. In fact, our system of grants is far from ideal, and it is being scaled back in the face of budgetary exigencies. To jettison deductibility at such a time would place extraordinary burdens on states and localities. A persuasive case can be made for the elimination of deductibility, but only if it is linked to a reform and extension of grants-in-aid.

Since no reform or expansion of grants-in-aid programs seems likely in the near future, we are faced with three conflicting considerations. First, reductions in federal individual income tax rates cannot go very far without some curtailment of the deductibility of state and local taxes. Second, those taxes are a rather poor grant-in-aid program. But, third, the importance of deductibility to states and localities is growing as grants-in-aid are curbed.

These circumstances can be partially reconciled if state and local taxes remain deductible, but only to the extent that they exceed a stipulated fraction of adjusted gross income. If that fraction were set at 5 percent, the resulting increase in federal revenues would be about two-thirds of the increase that, according to Treasury Department estimates, would be realized if the deductibility of state and local taxes were eliminated altogether. Some citizens of all

Table 1.
Deductions for State and Local
Taxes as a Percent of Adjusted
Gross Income on Returns with
Itemized Deductions, 1982

Size of adjusted gross income	Number of returns with taxes paid deduction (millions)	Amount of deduction (as percent of adjusted gross income)
Under \$5,000	0.5	22.5
\$5,000, under \$10,000	1.6	11.9
\$10,000, under \$15,000	2.7	9.3
\$15,000, under \$20,000	3.2	8.3
\$20,000, under \$25,000	4.2	7.6
\$25,000, under \$30,000	4.7	7.5
\$30,000, under \$40,000	7.7	7.4
\$40,000, under \$50,000	4.2	7.3
\$50,000, under \$75,000	2.9	7.6
\$75,000, under \$100,000	0.7	8.0
\$100,000, under \$200,000	0.6	7.5
\$200,000, under \$500,000	0.1	7.0
\$500,000, under \$1,000,000	0.02	6.8
\$1,000,000 or more	0.008	6.7

Source: Internal Revenue Service, *Statistics of Income-1982, Individual Income Tax Returns*, U.S. Government Printing Office, 1984, Table 2-1, p. 60. Percentage is based on amount of taxes paid deduction per return with taxes paid deduction, divided by adjusted gross income of all returns with itemized deductions per return with itemized deductions.

states would continue to be able to deduct a portion of their state and local taxes, although clearly the fraction would be larger in jurisdictions with relatively high taxes. Table 1 shows the average ratio of deductions for state and local taxes to income by income class in 1982.

Low-Income Relief

The president proposes to increase personal exemptions to \$2,000 for each person, nearly double the current level. He also calls for increases in the zero-bracket amount — to \$4,000 for joint filers, a 9 percent increase; to \$2,900 for single filers, a 17 percent increase; and to \$3,600 for heads of households, a 45 percent increase.

Measures to raise the “tax entry point,” the income level below which no income tax is imposed, are long overdue; no adjustments were made from 1979 through 1984, despite inflation of more than 40 percent. However, the combination proposed — a relatively large increase in personal exemptions and smaller increases in the zero-bracket amounts — is a particularly costly way of boosting tax-free income levels.

The same tax entry points could be preserved for a family of four if the personal exemption were raised \$100 less and the zero-bracket amount were increased \$400 more. But revenues would be higher. The increase in the zero-bracket amount would help only those who do not itemize their deductions, but the personal exemption is available to everyone. Tax entry points would remain the same for a four-person family as under the president’s plan and the revenue gain would be even larger if the personal exemption were set at \$1,700 (instead of \$2,000) and the zero-bracket amount were set at \$5,200 (instead of \$4,000). By way of comparison, the Bradley-Gephardt plan would increase the personal exemption for joint filers to \$1,500 each (\$1,000 for additional dependents), but would raise the zero-bracket amount to \$6,000 for joint filers. Revenues would be

roughly \$5 billion higher than under the president’s plan with the \$1,700 exemption and the \$5,200 zero-bracket amount and \$8 billion higher than under that plan with a \$1,500 exemption and a \$6,000 zero-bracket amount. Since some of the changes that Congress may make in the president’s plan would reduce revenue, it may find attractive the prospect of increasing revenue by making a larger increase in the zero-bracket amount and a smaller increase in the personal exemption than the president proposes.

Revenue Neutrality

To an economist interested in restoring balance to federal finances, the most disturbing aspect of the president’s tax plan is the threat that it will turn into a tax cut. This concern arises both from the design of the plan and from the way the president is presenting it to the American public.

The president has said that taxes should be increased only as a last resort after spending has been reduced as much as possible. He has also said that tax reform will make it harder to raise rates in the future. For quite different reasons, both Republicans and Democrats have agreed to devote this year to trying to cut spending and reform the tax system — and to leave tax increases for a later date.

But this year’s struggles over spending make it clear that the budget cannot be balanced by spending cuts, unless Congress is prepared to jettison social insurance or to enact security-threatening cuts in defense outlays. The budget deficit can be closed only if the United States is prepared to raise taxes and to raise them significantly.

The president’s plan is unlikely to yield as much revenue as he has estimated. Consider these points:

- The president calls for the repeal of income averaging. If Congress rejects, as it should and probably will, this retrograde proposal, the president’s plan will generate \$4 to \$5 billion less per year than is now projected.
- The president’s proposal to recapture the rate differen-

tial on accelerated depreciation is an inherently sound idea. However, even if Congress agrees to the change, it is likely to produce less revenue than he anticipates. Some firms are likely to be able to demonstrate hardship and win relief. In addition, there is as much logic in applying the same principle in areas (loss carryforwards, for example) that would reduce revenues as there is in applying it to depreciation.

- Corporate rate reductions are deferred until July 1, 1986, while the introduction of the new depreciation schedules (which result in some short-run increase in revenues) and the repeal of the investment tax credit would take effect on January 1, 1986. The personal rate reductions are also deferred until July 1, although nearly all other personal tax provisions would take effect on January 1. These asymmetries in effective dates have no rationale in tax policy and seem to be motivated only by a desire to forestall estimates of large revenue losses in 1986.

If there is one thing the United States economy does not need — and, in fact, cannot stand — it is yet another tax cut that would make the deficit still worse, the dollar still stronger, and the international competitiveness of U.S. industries still weaker. Under no circumstances should Congress approve any tax bill, however meritorious on other grounds, that does not at least maintain revenues.

Such a move would further reduce the U.S. national savings rate, which is already at a postwar low because government deficits are absorbing about two-thirds of net private saving. We should not be beguiled by current investment rates into thinking that Americans are investing a sufficient amount. The high U.S. dollar has put foreign goods on sale; Americans are buying, and to pay for this buying binge they have liquidated all their foreign net assets and are going into debt at a rate unprecedented in international financial history. Foreigners' investments are skyrocketing, and returns from these investments will flow abroad. The most direct and effective way to restore U.S. saving and simultaneously to promote investment here is to bring down the deficit.

For this reason, it is vital that the American people be told that tax reform and simplification will facilitate and make less burdensome the increase in tax rates necessary to help balance the budget. Raising tax rates on a base as distorted and unfair as the current one would aggravate tax-generated inequities and inefficiencies. These costs would be much reduced if the tax system were significantly improved. The president does a disservice to the causes of fiscal responsibility, high saving, and a strong U.S. economy when he suggests that his proposal is another installment in an agenda for cutting taxes.

Summary

The president has sent to Congress a tax reform plan that has important positive elements. Most notably, it reduces marginal tax rates on both individuals and businesses, and it moves toward equal taxation of business income regardless of source. But there is room for improvement, much of it along the lines charted by the Treasury Department last November and in plans previously developed by members of Congress. The most important refinement would be to move further toward equal taxation of capital

income, including complete indexation of capital gains, full taxation of real capital gains, and the adoption of depreciation schedules, indexed for inflation, that reflect the true loss of economic asset values. In addition, fuller taxation of fringe benefits would remove distorting incentives in employee compensation. Finally, tax reform must be understood not only as a means to reduce statutory rates and make life simpler for taxpayers, but as a step toward restoring fiscal balance in federal affairs.

1. *Annual Report of the Council of Economic Advisers*, 1982, pp. 122-124; *The President's Tax Proposals to the Congress for Fairness, Simplicity, and Growth*; Office of the Secretary, Department of the Treasury, *Tax Reform For Fairness, Simplicity, and Growth*, vol. 1, *Overview*, November, 1984; Mervyn A. King and Don Fullerton, *The Taxation of Income from Capital: A Comparative Study of the United States, the United Kingdom, Sweden, and West Germany* (University of Chicago Press, 1984).

2. King and Fullerton, p. 244.

3. "Suppose that type A investments are taxed at 80 percent (that is, 80 percent of their yield is paid in taxes), type B investments are taxed at 40 percent, and type C investments are free of tax. If the investment risks of each are the same, investors will put their money where they earn the most after taxes. If type C investments yield 6 percent before and after tax (that is, they pay the investor 6 cents per year for every dollar invested), how much will the other two investments have to yield in order to attract investors? The answer is that type B investments will have to earn 10 percent before tax (paying a tax of 40 percent on a return of 10 percent leaves a 6 percent after-tax yield), and type A investments will have to earn 30 percent. That means that a type A investment that yields, say, 29 percent before tax will lose out to a type C investment that yields only 6 percent. When tax rules cause investors to select projects yielding 6 cents per dollar invested in place of others yielding 29 cents, the economy as a whole sacrifices 23 cents (nearly four-fifths) of the potential return. Not all misallocations attributable to the tax system are so extreme. But some are worse." Henry J. Aaron and Harvey Galper, *Assessing Tax Reform* (Brookings, 1985), p. 3.

4. After 1990 the president's plan would permit taxpayers to choose between paying tax on 50 percent of nominal gains or all of inflation-adjusted gains. This option is worse tax policy than either alternative taken alone, as it would permit taxpayers to manipulate sales of capital assets, selling in one year those on which one approach is more favorable and selling in the next year those assets on which the other approach is more favorable. The result would be an even larger discrepancy between the tax rate on capital gains and that on other income. For an eloquent and correct argument as to why concessionary rates on capital gains are not necessary to elicit venture capital, see Office of the Secretary, Department of the Treasury, *Tax Reform for Fairness, Simplicity, and Growth*, vol. 1, *Overview*, November, 1984, pp. 180-181.

5. One of these gains is that accurate measurement facilitates changes in tax rates. For example, the president's plan contains a provision to recapture some of the depreciation deductions allowed in the past several years. This provision has some justification because it hardly seems fair to permit investors to take deductions against one tax rate and pay tax on subsequent income at another rate. But this problem would not arise if depreciation deductions matched true economic depreciation. In that event, there would be no need to recapture anything, because the deductions claimed would exactly match the expenses incurred.

6. In one respect, the president's plan is sterner than the Treasury plan. Treasury would have phased in over two years the denial of deductions for state and local taxes; the president makes the denial fully effective in January, 1986.

Secretary Dole and the Future of Automobile Airbags

John D. Graham

REGULATION to protect the health of consumers, workers, and the public has posed a delicate problem for the Reagan administration. The staunch advocates of deregulation want to halt the flow of new rules and scale back regulatory programs that are already in place. They are seeking to remove restrictions on industry that impose burdensome costs, impair productivity, and harm the competitive position of domestic firms. However, more moderate members of the administration are nervous about this strategy, arguing that there are significant political risks in the vigorous pursuit of deregulation in health and safety programs.

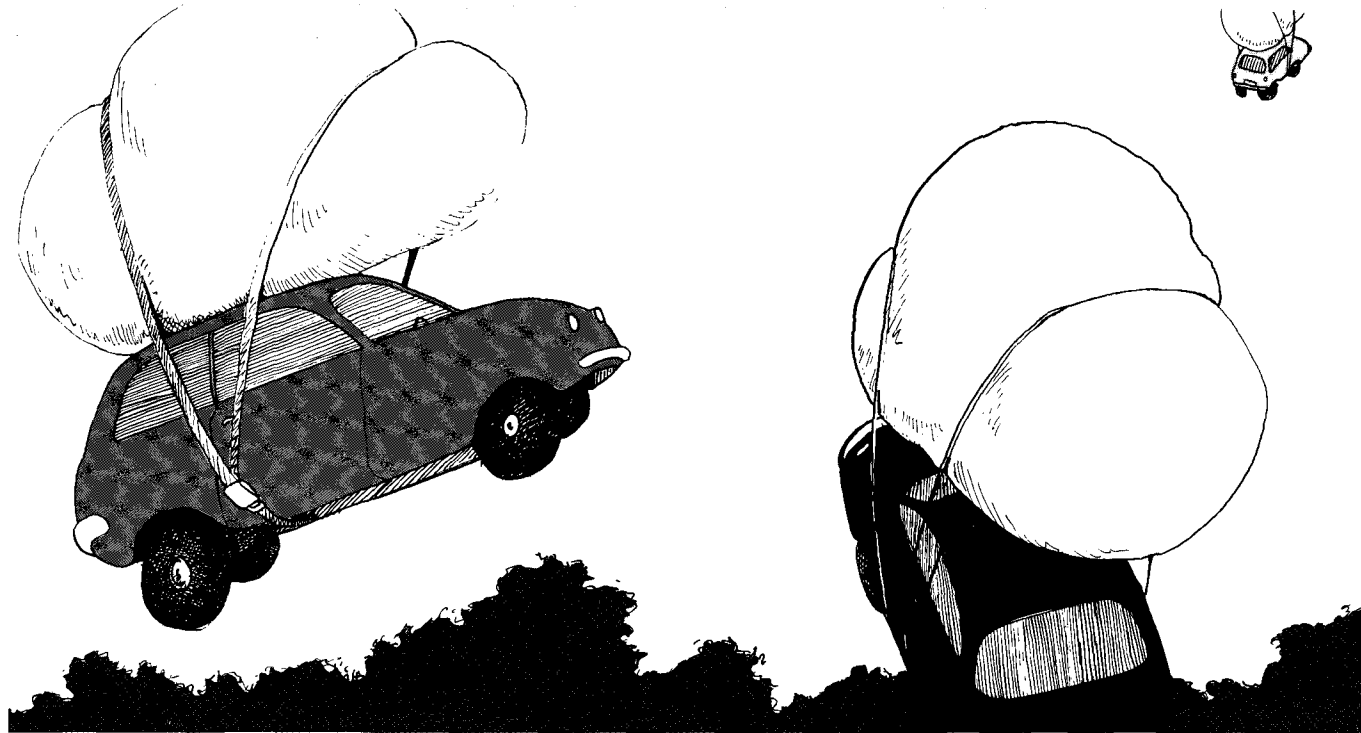
That inherent tension in regulatory policy has been quite evident in the administration's approach to automobile safety — and was recently contended with by Elizabeth Dole, secretary of the U.S. Department of Transportation (DOT), in her decision about the future of automobile airbags and seatbelt systems. She has called this "the toughest public issue I have faced." This article describes how the Reagan administration became embroiled in the airbag controversy and what Dole has proposed to do about it. The essay examines the options that Dole had and the strengths and vulnerabilities of her final policy determination.

The Problem

Each year, several million American drivers and passengers sustain, in motor vehicle crashes, injuries that require treatment at hospital emergency rooms. Between 40 and 50 thousand of them die from crash injuries, and a comparable number suffer crippling conditions, such as paraplegia, quadriplegia, brain damage, and epilepsy. The costs of these injuries, measured in terms of medical expenses and forgone earnings, approach \$40 billion per year. The human harm is especially tragic because — unlike cancer and heart disease, which normally strike in later years of life — crash injuries strike disproportionately at the young; in fact, they are the leading cause of death among Americans under the age of 40.

Engineers in industry and government have developed three technologies that have proven able to mitigate the severity of crash injuries. Manual lap and shoulder belts, if worn, can prevent about 40 percent of fatal injuries and 50 percent of moderate to critical injuries. Automatic belts, which fasten around the occupants of a car when the car door is closed, are slightly less effective than manual belts. Air cushion (airbag) systems, which operate electronically or mechanically during a crash, are designed to deploy only in front and front-angle crashes. They reduce the overall risk of fatality by about 30 percent and the risk of moderate to critical injury by 35 percent. When airbags and lap and shoulder belts are combined, they reduce fatality risk by 50 percent and injury risk by 55 percent. Although there is some uncertainty and controversy regarding these estimates, the

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rank ordering of the three devices is not disputed: All parties agree that the best system for injury mitigation is the airbag-belts combination, followed by manual lap and shoulder belts and then automatic belts.

Elizabeth Dole, who succeeded Drew Lewis as secretary of transportation, was recently compelled to grapple with one of the most controversial regulatory issues of recent decades: the future of the so-called "airbag rule." Early in President Reagan's first term, Secretary Lewis had targeted the rule as a prime candidate for deregulation under the administration's program of "regulatory relief" for the troubled automobile industry. But the formal act repealing the regulation, which was supervised by administrator Raymond Peck of the National Highway Traffic Safety Administration (NHTSA), did not survive judicial scrutiny. Peck's reasoning was peculiar. He started from the premise that most manufacturers would comply with the rule by installing automatic belts that could easily be detached by motorists. He then predicted that motorists would be no more likely to wear "detachable" automatic belts than manual belts. If that were the case, he concluded, the rule would have no benefits to justify its costs.

A coalition of insurance companies and public health groups had little difficulty persuading the U.S. Supreme Court that Peck's reasoning was "arbitrary and capricious." Justice Byron White, writing for a unanimous Court, stated that Peck should have considered airbags and nondetachable belt designs before scrapping the rule. A majority of the Court also questioned Peck's prediction that detachable automatic belts would be useless. The entire issue was ultimately remanded to DOT for reconsideration in June, 1983. Secretary Dole, who had by then taken the helm at DOT, responded by holding public hearings and seeking public comment on a variety of issues and options. She said that her goal was to "end the controversy" once and for all.

The Policy Options

Upon close examination, one finds that the original rule in question — as devised by DOT Secretary Brock Adams and

NHTSA Administrator Joan Claybrook during the Carter administration — is not a mandatory airbag regulation. It is really a performance standard that compels manufacturers to install some type of "automatic" device in new cars so that front-seat car occupants do not absorb excessive crash forces. Manufacturer compliance with the standard is gauged by measuring the forces incurred by dummies in simulated automobile crash tests. As a practical matter, airbags and automatic belt systems are the only technologies known to satisfy NHTSA's criteria, although General Motors is apparently making rapid progress on "friendly interiors" (involving padding and protective steering columns) that might some day make automatic restraints obsolete.

Automatic belts are actually more significant than airbags for purposes of regulatory analysis because the major automobile manufacturers have indicated that they intend to comply with any performance standard by installing automatic belts. These restraint systems, which typically cost \$50 to \$100 more than current manual belts, fasten around a driver and passenger in an automobile when the car door is closed. Some safety advocates oppose these systems because they fear that manufacturers will use designs that allow for easy detachment by motorists. In fact, the limited road experience with automatic belts in Volkswagen Rabbits and GM Chevettes has revealed detachment rates in the range of 30 to 50 percent. And the automatic systems used in these cars, which are guarded by ignition-interlock devices or nondetachable shoulder belts, are more difficult for motorists to "defeat" than are the kinds of systems that manufacturers are now considering. It is nonetheless expected that, regardless of the design choice, automatic belts will achieve higher usage rates than the 10 to 15 percent rates of use now observed for manual systems.

In contrast to belts, the airbag has the distinct advantage of being stored out of sight until it deploys. While the cushioning device provides excellent body and facial protection in frontal crashes, it is not designed to deploy in most side, roll-over, and rear-end collisions. Thus, optimal protection is provided by some combination of air-

bags and seatbelts, with the belts affording substantial protection in other than frontal crashes. The major disadvantage of the airbag is its cost: Estimates range from \$300 to \$1000 per car, depending upon the number of units produced and the precise design selected by manufacturers. Replacement of deployed airbags is likely to be even more expensive, though many cars involved in severe frontal crashes are beyond repair and insurance policies would cover replacement costs for those cars that are repaired. Insurance companies are apparently confident that any rise in property-damage premiums would be more than offset by the expected decline in medical pre-

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miums. In fact, some insurance policies now contain 30 percent medical premium discounts for motorists whose vehicles are equipped with airbags. These discounts are largely irrelevant in today's marketplace because, with the exception of some cars sold by Mercedes-Benz, BMW, and Volvo, airbags are not available on new cars produced by domestic and foreign manufacturers.

The United States is the only nation in the world that is giving serious regulatory consideration to automatic restraints. Most developed countries — including Australia, Canada, England, France, Germany, Israel, and Sweden — have adopted laws that simply require motorists to wear manual belts. Compliance with such laws varies greatly among countries, with rates of belt use normally observed in the 40 to 90 percent range. But these aggregate figures obscure some important subtleties in the data, especially the lower usage rates found among occupants in crashes. Rates of belt use among teenagers and drivers with elevated blood-alcohol concentrations are known to be especially low. In addition, compliance with mandatory seatbelt laws becomes spotty during the evening hours, when police enforcement is extremely difficult. Despite these compliance problems, countries with mandatory usage policies achieve substantially higher belt-wearing rates than those attained in the United States.

The Dole Plan

One might wonder why a conservative Republican administration would seriously consider any type of occupant-restraint regulation. The philosophical inclination of President Reagan on issues of social regulation is no secret. Reagan campaigned in 1980 against excessive government interference, citing the airbag rule as a clear illustration of burdensome regulation of private enterprise. Moreover, former OMB Director David Stockman was a vocal opponent of airbags while in Congress and, according to Executive Order 12291, any new DOT regulation on auto safety would have to be reviewed by Stockman. In fact, after the Supreme Court ruling, Stockman's chief regulatory analyst at OMB, Christopher DeMuth, was eagerly compiling new data and arguments to support another attempt at deregulation.

While the forces opposing safety regulation were powerful, other political factors were operating in the opposite direction. Elizabeth Dole is a moderate Republican who developed a reputation for tough consumer advocacy during her tenure as a commissioner of the Federal Trade Commission. There was substantial support for auto safety regulation on Capitol Hill, even among Republican senators, such as John Danforth, Orrin Hatch, and John Warner. And perhaps most pressing was the Supreme Court ruling written by Justice Byron White. The opinion warned DOT that Congress intended that safety should be the department's overriding consideration in regulatory deliberations under the National Traffic and Motor Vehicle Safety Act of 1966.

Dole responded to the conflicting pressures in July, 1984, with an artful political compromise. She reinstated the Carter administration's rule on a phased-in schedule: Automatic crash protection is required in 10 percent of 1987 models, 25 percent of 1988 models, 40 percent of 1989 models, and 100 percent of 1990 and later models. To encourage

the installation of airbags and "friendly interiors," the new rule provides that each car with these innovative devices would be counted as one-and-a-half units in calculations of each manufacturer's contribution to the phase-in percentages. But there is a "trapdoor," as it was pejoratively labeled by safety advocates. If states containing two-thirds of the U.S. population adopt mandatory seatbelt laws by April 1, 1989, then the automatic-restraint rule is to be rescinded. This trigger provision applies only if state laws satisfy certain criteria, such as a minimum fine of \$25 for violators and a plan for implementation and enforcement of the law.

At the time of Dole's decision, New York was the only state to have enacted a mandatory seatbelt law, although several other states were considering such legislation. The Dole plan instigated a dramatic increase in pressure for adoption of belt-use laws. Leaders of the automobile industry saw the trigger provision as a political opportunity. Almost overnight, Detroit's lukewarm support for seatbelt legislation was transformed into an aggressive, \$15 million lobbying campaign in state capitals throughout the nation. This stepped-up campaign is hitting at just the right time: State legislators are sensitized to the traffic safety problem as a result of recent debates about child restraint laws, drunk-driving crackdowns, and minimum drinking-age legislation. Moreover, Dole has been expanding a belt-use education program that was begun by Peck and Lewis. This grassroots, multimedia campaign has not yet been very successful at raising belt-wearing rates, but opinion polls suggest that the campaign has already increased public awareness of the safety issue and softened opposition to belt-use legislation.

Since Dole's plan was announced in July, 1984, rapid and tangible progress has been achieved in the passage of belt-use laws. Such statutes have been adopted in California, Connecticut, Hawaii, Illinois, Indiana, Louisiana, Massachusetts, Michigan, Missouri, Nebraska, New Jersey, New Mexico, New York, North Carolina, Oklahoma, and Texas. The political momentum has continued to build in several other states where buckle-up bills have either passed one house or are under serious consideration with gubernatorial support. Although only one-half of the U.S. population is now covered by belt-use legislation, the probability appears high that the two-thirds threshold will be surpassed before April 1, 1989. However, many of the state laws have "trapdoors" of their own. Some statutes, such as the one adopted in North Carolina, become void if DOT does not rescind the Carter rule by 1989. In California, the reverse is true: The law there becomes void if DOT tries to rescind the Carter rule by counting California's large population toward the two-thirds threshold. Many states authorize fines less than the \$25 minimum called for by DOT's administrative criteria, and some laws permit police to impose fines only when motorists have already been stopped for other violations. Several states have gone so far as to require that new cars within their boundaries be equipped with automatic restraints, but that type of provision seems unlikely to survive judicial scrutiny because of DOT's preemption authority.

Secretary Dole has declined to indicate which state laws will satisfy the department's criteria. She says that she is waiting for litigation about her overall plan to be resolved before taking on the tough administrative decisions that lie ahead.

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The trend to belt-use legislation does not appear to be moving fast enough to spare Detroit the expense of gearing up to install automatic restraints in 10 percent of 1987 models, 25 percent of 1988 models, and 40 percent of 1989 models. These start-up costs are quite substantial, with capital expenses alone running in the hundreds of millions of dollars. But this is an outcome that Dole is apparently willing to accept. By assuring that automatic restraints are installed in at least 500,000 cars for each of several model years, the Dole plan advances the "technology-forcing" goals of the 1966 Safety Act. If these devices ultimately prove effective

and acceptable to the public, manufacturers may continue to offer them on some models after the regulation is rescinded. Under this scenario, consumers who want automatic belts would be able to purchase them while those who prefer traditional manual designs would also have their way. Meanwhile, the country would garner the safety benefits associated with widespread adoption of belt-usage laws.

Buckle-Up Laws vs. Automatic Belts

The Dole plan reflects a clear preference for buckle-up laws instead of automatic belts. On economic grounds, this preference is sensible. The extra costs of new belt designs can be saved if motorists are induced to fasten their manual systems. The only real advantage of the automatic belt is convenience: It eliminates the hassle associated with attaching and detaching manual belts on each trip. But it is difficult to argue that NHTSA should establish convenience as a regulatory goal, except insofar as convenience produces safety.

In terms of safety, buckle-up laws have a decisive advantage. Once adopted, they apply to all vehicles immediately. In contrast, it takes ten to twenty years for any new car safety standard to affect the entire vehicle fleet. Moreover, questions have been raised about the safety of some automatic belt designs. For example, some designs are comprised of shoulder belts with knee pads. It is not clear whether this type of system provides the same degree of crash protection as a lap and shoulder belt combination. The only conceivable advantage of automatic belts is that they might achieve higher belt-wearing rates than would be achieved by buckle-up laws. But is that a likely outcome?

One can safely predict that many American motorists will simply ignore buckle-up laws (barring a draconian enforcement effort that is not likely to occur). If police enforcement is weak, compliance rates could easily drop below 70 percent or even 50 percent. And among crash-involved occupants, usage rates will be still lower. Yet there are also serious doubts about usage of automatic belts, especially among motorists involved in crashes. DOT predicts that if manufacturers install systems that are detachable, belt-wearing rates in crashes could drop as low as 20 percent. While DOT has the power to disallow detachable designs, its exercise of that authority could easily backfire by generating public hostility toward the government's safety program. DOT's experience with ignition-interlock devices in 1974 suggests that a vocal segment of the public might object to another technology that attempts to coerce belt-wearing. (This is, of course, one reason why manufacturers prefer detachable to nondetachable designs.) It must be remembered that Congress repealed the ignition-interlock requirement in 1974 and prohibited DOT from permitting interlocks to be used as a compliance strategy under any future motor vehicle safety standard. So DOT lacks the power to require that detachable automatic belts be guarded by interlocks. In any event, GM's limited experience with ostensibly nondetachable belts in Chevettes suggests that even those systems will be dismantled by a significant fraction of motorists. And once the nondetachable design is damaged, the safety of all future owners and passengers of the vehicle is endangered.

When all is said and done, it seems that Dole's preference for buckle-up laws over automatic belts is reasonable. But,

safety advocates ask, why not install automatic belts as a *supplement* to mandatory seatbelt laws? It is argued that this combination of policies would assure the highest rates of belt use. Buckle-up laws could raise belt-use rates in the short run, while the convenience of automatic belts would facilitate compliance with buckle-up laws in the long run.

This combination of policies, though conceptually appealing, suffers from an important political defect. One of the major forces behind the recent trend to buckle-up legislation is the political power of the automobile industry in state capitals. The industry's immense lobbying resources have been mobilized because DOT has promised to rescind the Claybrook rule when enough states pass buckle-up laws. If Dole had not offered this carrot, it is doubtful that the campaign for buckle-up laws would have achieved such pervasive and instant success. Thus, the proposed combination of policies is not politically viable. In addition, the incremental safety benefits of automatic belts must be regarded as speculative. The motorists whose habits might be improved by automatic restraints (e.g., those who are now occasional belt users) are probably the same motorists most likely to be influenced by buckle-up laws. Thus, one can reasonably doubt whether detachable automatic belts would offer substantial safety benefits beyond those that could be obtained by buckle-up laws. That having been said, it does appear that the Dole plan will achieve some combination of automatic belts (at least in 1987 and 1988 models) and mandatory seatbelt laws. If automatic belts ultimately do generate large incremental safety benefits and public acceptance, then it is possible that consumer demand will develop to sustain their existence in the marketplace, even in the absence of regulation.

The Future of Airbags

One of the great ironies of this controversy is that while it is often perceived as an "airbag issue," few of the prominent policy proposals would do anything to assure that airbags are offered to consumers. The Dole plan is no exception. While the arithmetic used to measure compliance does favor airbags and "friendly interiors" during the phase-in, there are no indications that the incentive is large enough to alter the compliance plans of manufacturers. If the performance standard remains in effect, DOT predicts that automatic belts are likely to be installed in more than 99 percent of new cars. If the standard is rescinded because of the trigger provision, the outlook for airbags looks even bleaker. Although Mercedes, BMW, and Volvo are also offering driver-side airbags, few motorists are in the market for these cars. The only encouraging sign is that Ford Motor Company has agreed to produce 5,000 Tempos with airbags under a contract with the General Services Administration. It is possible that the company will decide to expand this program and offer airbags to the general public. There are no indications, however, that GM or Chrysler will make airbags an available option in the foreseeable future.

The major weakness of the Dole plan is that it does not correct the confusion that has surrounded airbags for fifteen years. Airbags are no substitute for any belt-based policy, whether it involves voluntary belts, automatic belts, or mandatory belt use. Given that belts are already in all cars, the airbags should be viewed as a supplemental restraint system. Whatever policy toward belts is ul-

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timately adopted, airbags would still offer the nation substantial incremental safety benefits. For one thing, they provide improved protection to belted occupants in frontal crashes. Their cushioning effect redistributes crash forces over a larger proportion of the occupant's body, thus reducing the severity of injuries. In addition, the belt systems currently in cars have been known to stretch, rip, break, or otherwise fail to restrain the forward motion of occupants in high-speed frontal collisions. In these crashes, airbags can make the difference between minor bruises and paraplegia or death. DOT estimates that airbags could avert about 1,000 fatalities and 20,000 serious injuries that would not be prevented by 100 percent lap and shoulder belt use (assuming that all cars were equipped with airbags).

In fact, we know that no belt-based policy will achieve 100 percent compliance by American motorists. It is unlikely that the United States will achieve belt-wearing rates in excess of 70 percent, even if all states pass and enforce buckle-up laws. And when rates of belt use are observed at 70 percent from the roadside, the true rate of belt use in crashes is likely to be much lower, perhaps 40 or 50 percent. The belt technology simply does not offer great promise as an approach to protecting the health of high-risk groups, such as teenagers or citizens who mix drinking and driving. Unless society can effectively ban driving by those who neglect or refuse to wear safety belts, the public health argument for installation of airbags will remain strong.

Once the inherent safety benefits of airbags are acknowledged, then the key value judgment can be addressed. How much is society willing to pay for the physical and behavioral advantages of the airbag? A mandatory airbag program would be costly. The long run incremental cost, assuming maximum economies of scale, would be roughly \$5 billion per year (10 million cars per year at \$500 per car). Airbag suppliers promise they can do the job for \$200 to \$300, while the major car manufacturers insist that a more realistic estimate is \$700 to \$800. A complete analysis should account for amortization, insurance savings, and replacement costs. But uncertainty about the original \$500 figure outweighs the significance of these secondary factors. What we know is that mandatory airbags will cost between \$500,000 and \$5 million per life saved, with the wide range reflecting uncertainty about cost, belt-use rates, and the valuation of nonfatal injuries relative to fatalities. Reasonable people will disagree about whether this magnitude of investment in public health is appropriate. Compared to the costs of many prior DOT safety rules, the investment in airbags appears extravagant. Yet when compared to many EPA and OSHA investments in cancer prevention, airbags look like a bargain.

Sooner or later DOT or the Congress will determine that belt systems are not a panacea for the problem of crash injuries. When that time occurs, airbags may be given serious attention. And by then GM's "friendly interiors" may be viable competition for improved and lower-cost airbags. What this all means is that Elizabeth Dole has not ended the controversy with her artful political compromise. By resolving the seatbelt issue, she has merely set the stage for the real public debate about airbags.

Are Parliamentary Systems Better?

R. Kent Weaver

CRITICS of the American political system have repeatedly charged that its fragmentation of power makes it incapable of governing a modern society. The constitutional system of checks and balances and a weak party system, it is alleged, prevent the federal government from making decisive and rapid policy choices — and complicate the implementation of those choices once they are arrived at (or muddled to). The results are said to be incrementalism or stalemate, leading to poor performance in such crucial areas as economic growth and the reduction of energy dependence.¹

The British parliamentary model is often adduced as both inspiration and exemplar for reforms in this country.² But do parliamentary systems actually perform better than the American one? While separating out the variables that contribute to differing policy outcomes across nations is a notoriously difficult task,³ this article will suggest that the answer to the foregoing question is likely to be negative. The point to be made is that there is a large gap between the theoretical potential of parliamentary systems and their actual performance. This essay outlines reasons for this gap, drawing upon evidence from the two parliamentary nations that are culturally most similar to the United States: Great Britain and Canada.

In particular, the article argues that the types of challenges faced by political systems affect our perceptions of institutional capabilities. When slack resources are available, parliamentary systems may be able to innovate more effectively (e.g., in expanding the welfare state). But in periods of slow economic growth and fiscal stress, when governments are forced to allocate retrenchments as well as benefits among groups in their societies, the form of accountability characteristic of parliamentary systems places strong limitations on their abilities to impose losses. These limitations are different in form from, but similar in impact to, those of the U.S. system of separation of powers.

The argument will be made in three steps. First, I will evaluate the claims made by proponents of parliamentary systems regarding the responsiveness of those systems and their accountability to voter preferences. Second, I will assess the assertions made about the quality of policy outputs in parliamentary systems. Finally, I will point out some negative consequences of parliamentary systems generally ignored by their advocates.

Governance under Parliamentary Systems: An Overview

Before going any further, it is necessary to define more precisely what is meant by a parliamentary system. Its fundamental characteristic is that it does not have separate electoral processes for the legislative and executive branches. Many parliamentary systems do have an independently elected or hereditary head of state,

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whose role is primarily ceremonial and whose powers are carefully circumscribed. However, the head of *government*—generally termed the prime minister—is not elected directly by the voters (except by those in his or her individual constituency).⁴ He or she holds office by virtue of being the leader of the majority party or coalition in Parliament and has no set term beyond the maximum one specified for the life of a Parliament. The prime minister and his or her cabinet (known as the government of the day) are drawn from the membership of the Parliament and require the continued confidence of the legislature in order to stay in power. In theory, the cabinet is the central decision-making unit of parliamentary systems. Its membership combines political and policy expertise. After the cabinet arrives at decisions, it is collectively responsible to the legislature for them.

While the definition of what constitutes a loss of confidence is generally based on convention rather than a written constitution, both the British and Canadian systems have come to accept a fairly strict standard: The government of the day cannot suffer a defeat on any major piece of legislation without resigning. If the government does fall, a prime minister has several options: (1) try to form a new government; (2) let the leader of another party attempt to form a government; or (3) call new elections and seek a more stable electoral majority. In practice, however, the growth of disciplined parties has meant that a governing party commanding a legislative majority almost never falls. Thus, William Livingston argues that in Britain:

The function of holding the government accountable, which was once said to be performed by the House of Commons, is now performed, if at all, by the Opposition party. It is in the competition between the two parties that government is held responsible—a condition manifested at Question Time, in the character of debate in the House, and in the competition on the hustings, in the press, and in the polling booth. The essential fact about governmental responsibility in Britain is that the government must always defend itself before a skeptical Opposition and a skeptical public.⁵

The confidence rule is the central element upon which the logic of the parliamentary system rests. The need to maintain parliamentary majorities for all major votes requires party cohesion; legislators must toe the party line if they wish to avoid new elections and the possible loss of their jobs, even if doing so means going against the interests and opinions of their constituents. It is possible to loosen the requirement that a government resign if defeated in Parliament. However, to do so would weaken the major incentive for party unity and eliminate what is most often cited as the advantage of a parliamentary system: that it allows a government (meaning the political executives who constitute it) to adopt a platform without fear that it will be turned down or watered down by the legislature. As long as a government maintains the confidence of the legislature, there are few legal limits on what it can do.

The Responsiveness of Parliamentary Systems

Proponents of parliamentary systems have made a variety of claims about their representativeness and responsiveness. This section evaluates those claims in light of British and Canadian experience.

1. Do parliamentary systems allow voters to make better-informed choices?

In theory, because the majority government in a parliamentary system does not need to worry about obtaining legislative support for its party platform, majority voting preferences will be translated into policy action. But how closely is a governing party bound by its platform? Not very. The party's strength allows it to act with relative impunity; voters are not likely to remember a broken promise at the time of the next election, four or five years down the road. Thus, the Liberal party in Canada won reelection in 1974 largely by criticizing the Conservatives' proposal for wage and price controls. The Liberals instituted wage and price controls the following year.

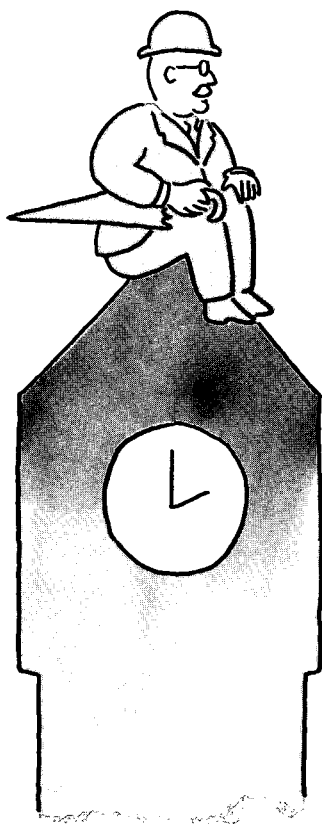
Nor do parties take clear positions on all issues. It is in their interests to obfuscate as much as possible on highly controversial questions, where the price of clarity is likely to be a loss of votes. If an incumbent government is very unpopular, a challenging party will tend to take as few positions as possible in order to avoid antagonizing voters. In these circumstances, voters can make an informed choice in rejecting the party in power, but not in accepting its challenger.

2. Do parliamentary systems more accurately reflect voter preferences in their policy choices?

The prospects for a close relationship between voter preferences and governmental action are obviously very tenuous in coalition and minority governments: Even assuming that voters cast their ballots on the basis of issues, a party may have to modify its positions on those issues in order to win the support of its coalition partner(s).

But even if a majority government is elected and follows its platform, the relationship between voter preferences and party actions may be quite weak—indeed, probably weaker than it is in the U.S. system—for two reasons. The first concerns what can be called, to borrow a term from economics, the “lumpiness” of electoral choices. Voters are presented not with a broad range of alternatives that allow them to register precisely graded opinions, but a very few options. In the 1979 British general election, voters essentially faced a choice between James Callaghan's Labour party and Margaret Thatcher's Conservatives; in most constituencies, a vote for the Liberals was likely to be wasted. But many voters probably favored a “moderate” position between the principal two parties. Their views were not easily expressed. Compare this to the situation of U.S. voters in the 1980 election. If they wished to provide an impetus for change, or simply protest the leadership of Jimmy Carter, they could vote for Ronald Reagan. If they wished to provide a check against that change going too far, they could vote for Democratic candidates for the House (and in many cases, the Senate as well). Which system allows voters to express better the gradations of their preferences?

The second problem with the representativeness of parliamentary systems stems from the distinction between issues that determine how people vote and issues that do not. It is easy to imagine situations in which the winning party's platform positions on issues in the latter category are at variance with the preferences of a majority of the electorate, but are nevertheless implemented by the new government of the day in party-line voting. This disjunction would be less likely to occur in the U.S. system, where indi-



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"In fact, political customs and leadership selection procedures, rather than parliamentary institutions per se, determine what kinds of leaders are selected — and these customs and procedures vary markedly across parliamentary systems."

vidual legislators are able to represent the views of particular constituencies more precisely over a broad range of issues.⁶

3. Do parliamentary systems convey a clearer mandate to governments?

In theory, the election of a majority government signifies approval of its party program, both entitling and obligating the government to enact that program. But this connection works only if (1) parties are clear about their programs before the election, and (2) voters do in fact cast their ballots on the basis of party promises rather than other criteria. As to the first point, I argued above that parties have incentives to equivocate on many controversial issues. As to the second, voters typically base their decisions on factors other than party platforms — most notably, on past government performance (in what is called retrospective voting),⁷ general impressions of party leaders, and durable party identification.⁸

It is generally agreed that in Britain, party identification is by far the most important determinant of voting behavior.⁹ A recent analysis of the 1974, 1979, and 1980 federal elections in Canada indicates that leadership considerations were clearly the dominant influence on voting decisions in 1980 — and that in the earlier contests, either "the issues were not as important in the outcome of the election as was generally thought or, in the cases where they were important, no clear trend of opinion existed."¹⁰ The authors of the study conclude that the "mandate given a political leader in an election is a potentially fleeting one, lacking any real substance."¹¹

4. Are governments in parliamentary systems more easily held accountable by voters?

Because the U.S. system fragments authority, it is difficult for the electorate to know precisely where decisions are being made and to hold the responsible officials accountable. Parliamentary systems concentrate responsibility — and, therefore, accountability — in the government of the day and the party or parties supporting it. Whether this necessarily makes parliamentary systems better at policy-making is another question, however — one to be addressed later in this article.

5. Do parliamentary systems prevent "outsiders" from winning political leadership?

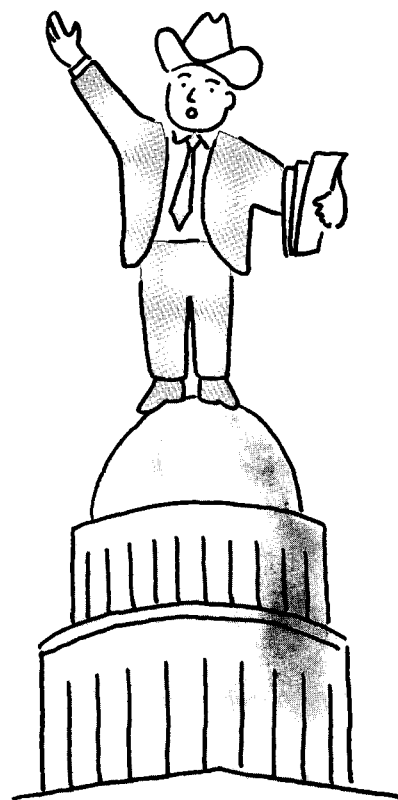
After George McGovern in 1972 and Jimmy Carter in 1976 won the Democratic party's presidential nomination, critics expressed two concerns: first, that the leadership selection process was too permeable, allowing outsiders unacceptable to party elites to prevail; and second, that individuals who are outside the party mainstream, or who have little Washington experience, will find it especially difficult to govern effectively.¹² Parliamentary systems are thought to be superior in their selection of leaders, elevating party regulars with long experience in the national legislature. In fact, political customs and leadership selection procedures, rather than parliamentary institutions *per se*, determine what kinds of leaders are selected — and these customs and procedures vary markedly across parliamentary systems.

In the United Kingdom, Conservative leaders are selected by Conservative members of the House of Commons, and Labour leaders are chosen by an "electoral college" that includes union and local party representatives as well as legislators. Those selected for leadership posi-

tions have had substantial parliamentary experience, but they have not invariably been in the mainstream of their parties. Thus, Margaret Thatcher and Michael Foot were both prominent legislators before being tapped as party leaders, but they were no more in the mainstream of their respective parties than Barry Goldwater and George McGovern were in theirs.

In Canada, which has a leadership selection process similar to that of the United States (delegates to national conventions are selected largely from individual parliamentary constituencies), choices have not been monopolized by insiders any more than in the United States. Before becoming prime minister, Pierre Trudeau had been a member of the Liberal party for only three years, a member of Parliament for less than three, and a cabinet minister for a year. Joe Clark was so little known when he won the leadership of the Progressive Conservative party in 1976 (after only four years in Parliament) that the next day's *Toronto Star* headline read: "Joe Who?" Clark became prime minister, briefly, three years later. Both Clark and Trudeau defeated leadership candidates who were far better known, and more experienced, than they were. The openness of the Canadian system is even more evident now: Prime Minister Brian Mulroney won the Progressive Conservative party leadership in 1983 without ever having served in Parliament, while John Turner, Mulroney's predecessor as prime minister and current leader of the opposition, had been out of politics for close to a decade before taking the helm of the Liberal party in 1984.

Given the long tradition of popular sovereignty in the United States, it is doubtful that parties in this country could ever concentrate authority for leadership selection in a legislative caucus. Moreover, effectively to restrict candidacies for party leadership to members of the national legislature would be to exclude from consideration those who receive leadership training at the state level, notably in the office of governor. While holders of this office may be less conversant with foreign policy and the arcana of Washington, they have management experience that is not available to legislators. In Britain, which lacks subnational governments above the level of county councils, choosing party leaders exclusively from the national legislature makes sense; in the U.S. federal system, it does not.



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Policy Outputs of Parliamentary Systems

Even more common than the impression that parliamentary systems are highly responsive to the electorate is the perception that they produce superior policy outputs. This section evaluates some of the claims that are made.

1. Are parliamentary systems better able to allocate losses?

Under the U.S. system, with its multiple veto points, it is very difficult to impose concentrated losses on particular groups. Potential losers have many opportunities to block initiatives that would hurt them. But change—in particular, economic growth—can rarely occur without some groups suffering losses.¹³ In parliamentary systems, cabinet approval of a proposal is generally tantamount to its adoption (at least when there is a stable majority government); it might seem, therefore, that parliamentary systems should be better able than the U.S. government to mete out losses when necessary.

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"Precisely because governments in parliamentary systems are likely to be held accountable for imposing losses — in contrast to the ambiguity that prevails in the United States, where one branch of government can blame the other for controversial actions — they will probably be very skittish about doing so. In both parliamentary and congressional systems, the allocation of losses requires strong leadership and the willingness to take high political risks. These qualities are in short supply in both systems."

But there is substantial reason to doubt that this is the case. Precisely because governments in parliamentary systems are likely to be held accountable for imposing losses — in contrast to the ambiguity that prevails in the United States, where one branch of government can blame the other for controversial actions — they will probably be very skittish about doing so. In both parliamentary and congressional systems, the allocation of losses requires strong leadership and the willingness to take high political risks. These qualities are in short supply in both systems.

2. Are parliamentary systems able to make decisions more rapidly and with less equivocation?

In theory, a majority government in a parliamentary country does not face the multiple roadblocks endemic to the U.S. system — and therefore can more readily adopt new policies or revise or terminate old ones as needed. And, again in theory, policy initiatives need not be compromised to death. That logic may hold when a government is engaged primarily in the allotment of observable benefits (e.g., the expansion of a welfare state during a period of economic growth). But when it comes to the imposition of costs, parliamentary leaders, realizing that they can be held fully accountable at the next election, are likely to engage in the same sorts of procrastination and compromise as their U.S. counterparts.

3. Do parliamentary systems permit more coordination and consistency in policy-making?

As governments undertake more activities, the chances multiply that policies will come into conflict. For example, one agency may encourage the use of high-sulphur coal to cut oil imports, even though this frustrates another agency's air pollution control program. Units of government are likely to be unconcerned about the negative spill-over effects of their policies so long as other units have to bear or cope with the costs.

Critics charge that the inability to coordinate policies is especially pronounced in the U.S. system. Policies are made, they say, in specialized forums (congressional committees and agencies) that respond to narrow clienteles in bounded and insular "subgovernments" or "iron triangles." The Office of Management and Budget (OMB) exercises control over agency budget requests and legislative proposals, but its determinations may be overridden in subsequent legislative deliberations. Moreover, OMB does not really have enough in-house expertise to act as an effective policy coordinator.

In theory, the situation should be better in parliamentary systems, because all legislation must be cleared by the cabinet. But the crush of political business in the advanced industrial countries has led most of them to divide their cabinets into committees, with decision-making power effectively shifted to these subgroups even if their determinations must be ratified by the full cabinet. Indeed, Britain and several other countries restrict the reopening in the full cabinet of decisions made in committee.¹⁴ When issues fall within the purviews of more than one cabinet committee, there are likely to be problems of policy coordination. The potential for such problems also exists when policies or programs are primarily within the jurisdiction of a single department. As Mackie and Hogwood argue:

... the idea of a hierarchical pyramid of individual ministers topped by cabinet committees, topped by cabinet,

topped by the prime minister, with implied delegation downwards and upwards referral of all strategic or important decisions, is not accurate. In many countries, authority for political decision making affecting single departments resides in the individual minister and not in the collective responsibility of the cabinet. . . . Even in countries with the doctrine of collective ministerial responsibility, we find individual ministers exercising a wide power of decision making in their departments, with *the minister* exercising much discretion about which issues should be referred to colleagues.¹⁵

In short, parliamentary systems can best be pictured as “a fragmented set of overlapping decision arenas rather than a neat hierarchical arrangement.”¹⁶

4. Are parliamentary systems less parochial?

Critics charge that the fragmentation of power in the U.S. system allows legislators with major influence over particular realms of policy (e.g., committee chairpersons) to extract substantial district-specific benefits. It is also argued that the need to build majority support for programs leads to benefits being dispersed too widely, instead of being concentrated in the districts that need them most. Parliamentary systems ostensibly avoid both of these problems by centralizing power and providing ready-made majorities for the government of the day. But in fact the first problem — pork-barrel politics — simply shows up on a different matrix. Instead of committee chairmen, it is ministers who are expected to provide benefits for their constituencies. And as to the second problem, parliamentary systems do not eliminate politically-motivated distortions in the distribution of benefits. The majority party can keep most district-specific benefits to itself without having to win over members of the opposition or it can seek to maximize its political strength in the next election by skewing the allocation process to attract support in marginal districts.¹⁷

5. Are parliamentary systems better able to balance expenditures and resources?

A common criticism of the U.S. federal government is that because spending and taxing decisions are made by so many bodies with very different interests and objectives, it is difficult to conduct a centrally-managed and coherent fiscal policy. Although these circumstances have been altered somewhat by implementation of the Congressional Budget Reform Act of 1974 and by the increased use of binding reconciliation instructions since 1980, record budget deficits and the perceived inability of the congressional budget process to bring them under control have rekindled the disparagement of the U.S. system. It is contended that the cabinet in a parliamentary system is a better mechanism than the American structure has for centralizing fiscal policy and balancing resources and expenditures.

An alternative view is that while the American and parliamentary systems are different forums for addressing budget issues, they are beset by similar forces: pressures from the public for government expenditures beyond what its members are willing to pay in taxes, compounded by various forms of uncontrollable spending (notably, transfer payments to individuals) and persistent stagflation. It may be that these political dynamics simply countermand the desire of a finance ministry to control deficits, regardless of which system of governance it operates within — and that, therefore, deficit levels, as indicia of fiscal policy capabilities, will reflect the overall strength of a country's econ-

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omy rather than the configuration of its policy-making institutions.

One crude way of testing these rival hypotheses is to examine central government budget deficits as a percentage of gross domestic product (GDP). Figure 1 presents these data for western industrial societies as a group, and for four specific countries, for the years 1972 to 1982. While deficits in all of the countries tended to increase relative to GDP in the latter part of the decade, the deficit proportions for the United States were in most years substantially below those of industrialized countries generally and of Canada, Sweden, and the United Kingdom in particular. (1976 was the major exception to this pattern.) While such rough measures permit us to draw only very tentative conclusions, it does appear that overall economic strength (as in the case of Germany), rather than parliamentary government, is the most effective bulwark against huge budget deficits.

Hazards of Parliamentary Systems

We have seen thus far that many of the purported benefits of parliamentary systems are dubious at best. In addition, parliamentary systems have shortcomings that are often ignored by their proponents. We will examine a few here.

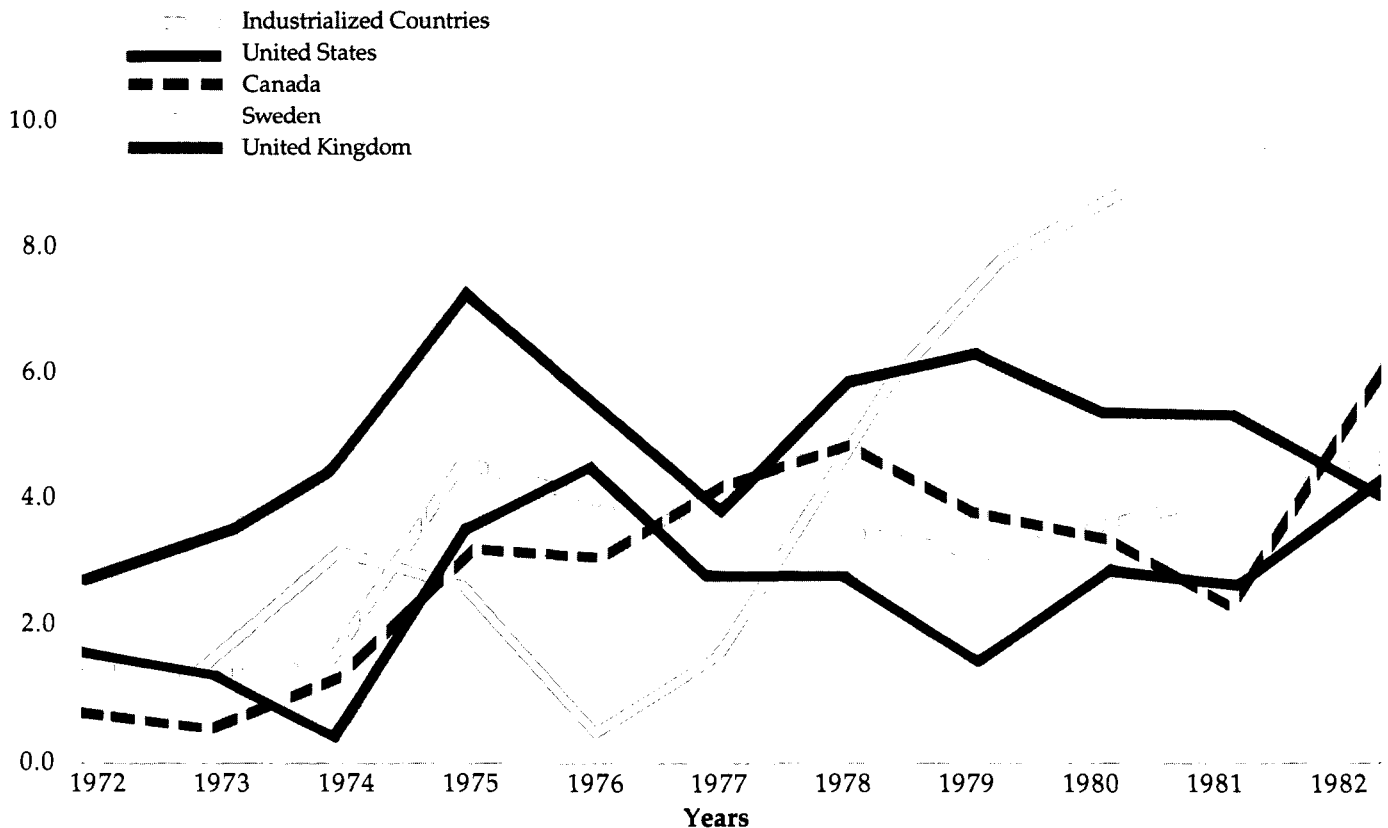
1. Parliamentary systems may exacerbate regional tensions.

In a parliamentary system, party unity is required to keep the government in power from falling. Legislators must vote the party line even if it goes against the wishes of their constituents. When regional cleavages are strong, therefore, parliamentary government tends to compound their impact, at least in single-member constituency systems such as Britain and Canada. If a majority in most of a region's constituencies favors the opposition parties, that region will be virtually shut out of government. This problem is not so severe in the U.S. system, where fragmentation of power allows legislators of both parties a share in decision-making. But it can reach extreme proportions — and become self-reinforcing — when an entire region becomes alienated from a government in which it has little or no input or "clout."

This is the situation that confronted Canada after the 1979 election, when the short-lived Conservative government held only two of the 75 Quebec seats in the House of Commons, and after the 1980 election, when the Liberal government held only two of the 77 seats allotted to the country's four western provinces. Each of these occasions represented the culmination of a long erosion process, in

Figure 1.
Central Government Deficit as Percent of GDP

Deficit as Percent of GDP



Source: International Monetary Fund, *Government Finance Statistics Yearbook*, 1984, p. 64.

which the national party that had minority status in the region came to be seen as an enclave of "outsiders" incapable of representing and responding to the region's interests.¹⁸ These exacerbations of regional tensions can largely be overcome by adopting a proportional representation, rather than a single-member constituency, system. However, proportional representation has costs of its own, notably a tendency to promote extreme fragmentation in the party system.

Because local legislators cannot effectively defend regional interests, parliamentary systems often lead to increased pressure for the devolution of power to sub-national governments. Leaders of these governments, in turn, have strong incentives to take a hostile stance toward the national government in order to prove their credentials as regional loyalists; in Canada, this results in what is known as "Ottawa-bashing." Indeed, sub-national regimes are often at odds with the national government even when they are of the same political party. The tension in several Canadian provinces is so great that the parties there have formally split into separate organizations contesting federal and provincial elections.¹⁹

2. Parliamentary systems encourage party fragmentation.

One of the advantages of the congressional system is that it allows diverse viewpoints to be accommodated within a two-party structure. Because legislators are not compelled to vote against their constituents on matters of local concern, parties can serve as organizational and roll-call cuing vehicles without forcing out dissidents; American parties bend, but they do not break. Parliamentary systems, on the other hand, tend to lead to party breakup and the formation of multiparty systems — even under single-member constituency electoral rules, where the incentives for emergence of two dominant parties are very high. The breakaway of the Social Democrats from Britain's Labour party is only the most recent example of this phenomenon. The tendency toward fragmentation is particularly intense where regional cleavages are strong: Witness the Ulster Unionists, the Scottish Nationalists, and the Parti Quebecois, as well as the now-departed Progressive and Social Credit parties.²⁰ Given the diversity of regional interests in the United States, it seems very unlikely that a stable two-party system would emerge if a parliamentary system were instituted here.

3. Parliamentary systems stifle bipartisan cooperation.

While the major opposition parties in the British and Canadian systems are referred to as the "Loyal Opposition," there is little that is loyal about their performance. The American system cultivates bipartisanship; it is necessary to govern. Since the opposition parties in parliamentary systems play no role in governing and their chances of winning power in the next election depend on making voters believe that the current government has performed poorly, they take an almost wholly negative attitude, rarely supporting government initiatives. Similarly, the government of the day is reluctant to accept amendments suggested by the opposition; to do so is perceived as a sign of weakness.

4. Parliamentary systems may lead to the establishment of weak minority or coalition governments.

In multiparty systems, a single party may fail to win a majority of legislative seats. The parties must then either

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bargain to create a formal majority coalition, or one or more parties may form a minority government, attempting to win enough support on individual legislative votes and confidence motions to stay in power. (The former pattern is more common in Britain and on the continent; the latter is the accepted practice in Canada.) In either case, these governments need to be exceptionally cautious and are prone to blackmail by minority parties whose support they depend on to stay in power.

5. Parliamentary systems inhibit ministerial leadership.

One of the oft-cited advantages of parliamentary systems is that ministers are accountable to the House during daily Question Period for the actions of their departments. Indeed, ministers' reputations are based to a large extent on their ability to demonstrate a mastery of detail during these sessions. But acquisition of this knowledge is not costless: Ministers are required to spend a disproportionate amount of their time learning minutiae rather than setting broad policy or tending to administration. This is in addition, it should be remembered, to their other duties as parliamentarians (e.g., voting on bills, appearing during Question Period and major debates) and as cabinet ministers (e.g., attending meetings of the full cabinet and cabinet committees). As a result, ministers are unable to devote adequate time to their departments, and what should be ministerial responsibilities devolve upon civil servants.

6. Parliamentary systems inhibit the development of legislators.

The U.S. system offers a variety of leadership positions in which members of Congress can begin to develop expertise and take responsibility for policy development at a rela-

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tively early stage in their legislative careers. Because the weak party system in the United States often makes inter-party cooperation necessary to pass legislation, ranking minority members as well as committee and subcommittee chairmen have an opportunity to influence policy.

The role of "backbenchers" in parliamentary systems is more akin to that of fans at a college football game than to that of lawmakers: They are expected to cheer and pound their desks when their leader or cabinet members speak, to heckle the opposition, and to do little else. Committee assignments are not taken seriously by most backbenchers, since the government does not take the committees seriously — they have little impact on legislation. In short, while the U.S. system trains for leadership virtually all of its members who remain more than a few years, parliamentary systems train only a select few.

7. The distribution of power in parliamentary systems may discourage participation by high-caliber individuals.

The fact that there are so few positions of power open to legislators in parliamentary systems may prevent many individuals of high ability from running for office in the first place. Not only are there few key positions available, but those positions, once attained, are not at all secure. In the U.S. Congress, seniority lands legislators in positions of power automatically; only rarely are those positions lost through decisions of the party caucus or leadership. But in parliamentary systems, the prime minister giveth power, and the prime minister taketh it away; a long-time minister may suddenly be consigned to the back benches with no recourse.

8. Parliamentary systems severely limit the choice of cabinet ministers.

We have already seen that the limited number of leadership positions available is likely to make a parliamentary career unattractive to many able individuals. Even so, the requirement that most, if not all, members of cabinet be chosen from the single house of the legislature to which the government of the day is responsible may not seem to limit unreasonably the pool of potential cabinet ministers. Assume, for the sake of illustration, a 435-seat legislature, like the U.S. House of Representatives, and a 25-member cabinet. But remember that ministers are selected only from the majority party or coalition and that party control may be very narrow — say, 220 seats. Keep in mind further that the pressures for cabinet balance — in terms of ideological positions, ethnic groups, religions, and, most importantly, regions — are no less present in parliamentary systems than they are in the U.S. system.²¹ When uneven party representation among different groups and regions is factored in, the chances that one or more ministers will be chosen solely for representativeness, despite a lack of competence, start to become quite high. In short, if "balance" requires that a cabinet have a left-handed Scandinavian Mormon from Chicago, it is much better if a head of government is able to draw from the universe of such individuals than from the one or two who end up in the party caucus.

Ensuring adequate competence and expertise is even more difficult if a party spends a long time in opposition: When the Progressive Conservative party came to power in Canada in 1979 after 16 years in opposition, only four members of Joe Clark's cabinet, not including Clark himself, had ever held even a provincial cabinet position.²²

9. Parliamentary systems may undermine policy stability.

Critics of the U.S. system note correctly that its multiple veto points militate against rapid policy change. But policy stability has many advantages, while a constant rotation of governments with differing policy views can be very disruptive. Consider the recent history of the British steel industry: It was nationalized by a Labour government, privatized by the Conservatives, renationalized by Labour — and now the Thatcher government is attempting to denationalize it again. Indeed, on returning to power the Conservatives accepted many of the early Labour nationalizations of other industries not because they approved of them, but because they did not want to create massive dislocations.

Conclusions

This paper has argued that tested against a variety of criteria — e.g., responsiveness to popular will, adaptation to changing conditions, the ability to balance priorities and coordinate outputs effectively — parliamentary systems are not likely to produce “better” outcomes than the U.S. division of powers among three branches of government. It should be emphasized in closing that all parliamentary systems do not function in the same way. The advocates of parliamentary systems rarely mention Italy or the French Fourth Republic as models to be imitated. But these examples should serve to remind us that institutional mechanisms for conflict resolution are molded by and continually adapted to reflect the histories, cultures, and political alignments of individual nations. When we admire Japan’s alleged prowess at developing a coordinated industrial policy, for example, we are seeing the result of traditions of bureaucratic autonomy and business-government linkages that developed over centuries. Japan’s parliamentary institutions have permitted these policies to develop, but they certainly have not caused them. The lesson here, both for admirers of parliamentary systems and for constitutional reformers, is a clear one: Even if institutional changes can be adopted, the way institutions work will be dramatically influenced by underlying political and economic structures.

6. In both systems, there is of course the danger that the decisions of parties or individual legislators will be determined by vocal minorities rather than by majorities.

7. Retrospective voting is particularly likely to occur in periods of stagflation, when governments have few slack resources with which to make new promises and “out” parties have a good chance of winning simply on the basis of dissatisfaction with those in power. See Morris Fiorina, *Retrospective Voting in American National Elections*. New Haven: Yale University Press, 1981.

8. Yet another factor that may influence voter decisions is the local party candidate. The party discipline requirement in parliamentary systems undercuts the ability of individual legislators to defend constituency interests, however.

9. David Butler and Donald Stokes, *Political Change in Britain*, 2nd ed., London: MacMillan, 1976; Martin Harrop, “Beliefs, Feelings and Votes: The British Case,” *British Journal of Political Science*, 7 (1977) pp. 301-320.

10. Harold Clarke, Jane Jenson, Lawrence LeDuc and John Pammett, *Absent Mandate: The Politics of Discontent in Canada*, Toronto: Gage Publishing, 1984, p. 171.

11. *Ibid.*, p. 172.

12. See, for example, James L. Sundquist, “The Crisis of Competence in Government,” pp. 531-563, in Joseph A. Pechman, *Setting National Priorities: Agenda for the 1980s*, Washington: The Brookings Institution, 1980. For data comparing the experience of British party leaders and U.S. presidential nominees, see Hugh Heclo, “Presidential and Prime Ministerial Selections,” pp. 19-48, in Donald R. Matthews, ed., *Perspectives on Presidential Selection*, Washington: The Brookings Institution, 1973.

13. See Lester Thurow, *The Zero-Sum Society*.

14. Thomas T. Mackie and Brian W. Hogwood, “Decision Arenas in Executive Decision Making: Cabinet Committees in Comparative Perspective,” *British Journal of Political Science*, 14 (1984) p. 291.

15. Mackie and Hogwood, “Decision Arenas in Executive Decision Making,” p. 310. Italics in original.

16. Mackie and Hogwood, “Decision Arenas in Executive Decision Making,” p. 311.

17. For evidence supporting these points, see Fred Thompson and W. T. Stanbury, “Looking Out for No. 1: Incumbency and Interest Group Politics,” *Canadian Public Policy*, 10,2 (1984) pp. 239-244; John Munro, “Highways in British Columbia: Economics and Politics,” *Canadian Journal of Economics*, 8,2 (May 1975) pp. 192-204; Bruce D. MacNaughton and Conrad J. Winn, “Economic Policy and Electoral Self-Interest: The Allocations of the Department of Regional Economic Expansion,” *Canadian Public Policy*, 7,2 (1981) pp. 318-327; and Donald E. Blake, “LIP and Partisanship: An Analysis of the Local Initiatives Program,” *Canadian Public Policy*, 2,1 (Winter 1976) pp. 15-32.

18. On this process generally, see Alan C. Cairns, “The Electoral System and the Party System in Canada, 1921-1965,” *Canadian Journal of Political Science*, 1,1 (March 1968) pp. 55-80. See also David E. Smith, *The Regional Decline of a National Party: Liberals on the Prairies*, Toronto: University of Toronto Press, 1981; and Barry Wilson, *Politics of Defeat: The Decline of the Liberal Party in Saskatchewan*, Saskatoon: Western Producer Prairie Books, 1980.

19. See David Rayside, “Federalism and the Party System: Provincial and Federal Liberals in the Province of Quebec,” *Canadian Journal of Political Science*, 11,3 (September 1978) pp. 499-528.

20. On the theory of regional protest parties, see Maurice Pinard, *The Rise of a Third Party: A Study in Crisis Politics*, Montreal: McGill-Queens University Press, 1971, 1975; and C. B. MacPherson, *Democracy in Alberta: Social Credit and the Party System*, Toronto: University of Toronto Press, 1953, 1962.

21. On this subject, see Mackie and Hogwood, “Decision Arenas in Executive Decision Making,” pp. 288-289.

22. Moreover, the four were drawn from the appointive Senate rather than the elected House of Commons. Warner Troyer, *200 Days: Joe Clark in Power*, Toronto: Personal Library, 1980, p. 81.

1. See, for example, Committee on Political Parties of the American Political Science Association, *Toward A More Responsible Two-Party System*, New York: Rinehart and Company, 1950, and Lloyd N. Cutler, “To Form a Government,” *Foreign Affairs*, 59,1 (Fall 1980) pp. 126-143.

2. Discussions of American views of the British system can be found in Dennis Kavanaugh, “An American Science of British Politics,” *Political Studies*, 22,3 (1974) pp. 251-270, and Leon D. Epstein, “What Happened to the British Party Model?,” *American Political Science Review*, 74,1 (March 1980) pp. 9-22.

3. See Kenneth Waltz, *Foreign Policy and Democratic Politics: The American and British Experience*, Boston: Little, Brown, 1967, chapter 2.

4. In the case of proportional representation systems, the constituency may be the entire country or some substantial subset thereof, with the prime minister being high on the party list of candidates.

5. William Livingston, “Britain and America: The Institutionalization of Accountability,” *Journal of Politics*, 38 (1976) pp. 879-894.

Security and Solidarity: NATO's Balancing Act After the Deployment of Intermediate-Range Nuclear Forces

Richard K. Betts

RESPONDING TO ADVERSE TRENDS in the military balance, the North Atlantic Treaty Organization (NATO) decided in 1979 to reinforce deterrence by deploying U.S. intermediate-range nuclear forces (INF). In the next several years, the negative effects of this decision came to rival its anticipated benefits. By the time the first missiles were installed in 1983, many of the leaders who had made the decision regarded the outcome as a Pyrrhic victory. The new missiles provoked the Soviet Union as much as they deterred it, and they shook European confidence in security. Conflict emerged between NATO's strategic purpose and its political solidarity—or, as Michael Howard put it, between deterrence of the Soviet government and reassurance of the people of Western Europe.¹

The worst of this discord is over; protestors failed to stop the deployment of INF, and, after walking out of negotiations at the end of 1983, Moscow walked back in a year later. Public concern in the NATO nations ebbed, and strains in the alliance have eased. But it would be naive to believe that these strains have vanished; they have subsided, but could surge again when deterrence is most vital—in a crisis that thrusts public doubts back to the fore. The relief felt when the Soviets returned to Geneva may wither away if, as is quite possible, it becomes inescapably clear that the two sides are not closer to a negotiable accord than they were before—and especially if it appears to European publics that U.S. intransigence or such undertakings as the Strategic Defense Initiative are responsible for continuing tension.

The INF controversies reflected NATO's underlying quandaries. Short-term success is not all that valuable if the price is long-term failure to negotiate constraints on the Soviet threat and to deal with European fears that could crack the alliance just when it might be needed most. Sticks will not solidify deterrence without carrots, and structural reforms of the alliance may eventually be needed to reinforce rhetoric if solidarity is to be preserved. To reintegrate deterrence and reassurance against the day when some new irritant unsettles the politico-military landscape, difficult concessions to Moscow and, eventually, some adjustments to the U.S. role in NATO may have to be made.

This essay will explore several basic dilemmas that bedevil management of the INF issue within the alliance and offer a few general recommendations for how to balance contradictory interests. Then it will proceed to discuss in more detail how best to proceed in the three realms that determine the success of policy: the conception of alliance strategy for the deterrence of Soviet aggression; arms negotiations between Washington and Moscow; and the internal political relationships that affect NATO's cohesion and, therefore, its strategic effectiveness.

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Old Angst, New Aggravations

The INF decision sought to clarify NATO's strategic doctrine and enhance U.S. military commitment, but the restoration of confidence now requires the reaffirmation of some old ambiguities. *The move to clarify doctrine unearthed basic alliance dilemmas that ultimately cannot be resolved, but must be finessed.* This requires delicate reform, because it is too late to gloss over dilemmas quite as readily as we did in earlier years and the alliance would not survive radical change. The INF question proved to be a bigger imbroglio than past occasions of discord because of the combination of changes in the military balance and the collapse of political détente. This issue highlighted three basic dichotomies:

1. The tension between the reinvigoration of deterrence and the revival of détente.

The so-called dual-track decision (to deploy INF while trying to negotiate limitations on both sides' forces) was intended to rectify imbalance by increasing NATO's nuclear capabilities and reducing the USSR's. Since Moscow did not admit to the existence of any imbalance, it characterized the decision as a threat and a return to confrontation. NATO can never fully reassure the Kremlin without imprudently weakening deterrent power — and, of course, incomplete assurance helps to promote Soviet prudence. The latest revision of deterrence, however, made the Soviets as much hysterical as prudent.

2. The conflict between strategic coherence and political confidence.

The original INF decision subordinated strict military needs to the political apprehensions of European government elites. There was no gap in target coverage for Pershing IIs and ground-launched cruise missiles (GLCMs) to fill, but there was a perceived gap in the credibility of America's commitment to escalation. When the decision ignited public apprehensions about escalation, priorities were reversed: Governments expended political capital to resist those apprehensions in order to sustain the military initiative. NATO is a fortress; the battlements must be strong enough to repel attack but not so heavy that they put the foundation at risk.

3. The oscillation between insufficient and excessive American assertiveness.

U.S. policy is often too cold or too hot for European tastes, because of the differences between America and its NATO allies in vulnerability and dependence. Soviet armies cannot invade the United States, but Soviet missiles can destroy it; it is not surprising, therefore, that nothing can erase the allies' doubts about America's ultimate willingness to suffer for the sake of their defense. Europe has larger economic and social stakes in détente than the United States does, so it is more sensitive to the Soviet anger provoked by western military initiatives. U.S. restraint evokes fears of decoupling, and vigor raises fears of confrontation.

Policy cannot solve dilemmas, but it can soften them by straddling assertion and accommodation. To retain the gains and repair the damages that the INF decision has produced, NATO leaders should take three steps:

1. *Ignore Soviet military reactions.* Their gambit to prevent NATO deployment having failed, the Soviets have stationed more missiles in Eastern Europe and more submarines near U.S. coasts. Hawks as well as doves have a stake in continuing to affect nonchalance — to prevent the

Soviets from achieving their objective of making the West rue the deployment and to avoid the renewed domestic protests that would greet a counterreaction. But taking this approach does mean ignoring a Soviet ratchet in the military balance, and it was the perceived danger of doing precisely that in regard to the SS-20 that prompted the 1979 decision.

2. *Compromise further in arms control.* Prospects for arms control are dim at best. Indeed, at this point, it will be a major achievement if the remaining treaties can be kept from crumbling. Nevertheless, the Reagan administration is officially seeking progress toward a new agreement.

The gulf between the positions of the two sides is still wide, and if an agreement did begin to appear possible the significance of alleged Soviet violations of past treaties would become a larger issue. If there is to be any future for arms control, however, one or both of the sides will have to make concessions greater than any yet contemplated. For the strategic purpose of the 1979 decision, the balance of INF must be kept more favorable to the West than it would otherwise have been; for the internal political purpose of the decision — namely, alliance solidarity — Washington should accept a smaller net improvement in that balance than was embodied in previous Reagan arms control proposals. The deterrent significance of INF rested far more on the achievement of a qualitative change — the establishment of an ability to strike the USSR from Europe — than on the quantitative level of deployment. The onus of demonstrating good faith was put on the Soviets when they walked out of Geneva and should be kept on them now that they have returned, especially since the Dutch government conditioned its willingness to accept its share of GLCMs on the failure of good faith efforts to negotiate.

3. *Depolarize disputes within NATO.* Since the 1979 decision did more for deterrence than for cohesion, the latter should now take precedence. The sources of the tension between these two values are rooted in the structure of the alliance, and managing East-West relations will depend on managing West-West relations. In the past, overwhelming U.S. domination of NATO solved more problems than it created; this is becoming less true as time passes. Unlike the Warsaw Pact, NATO is a genuine coalition. The need to make long-term adjustments to political and economic changes counsels modification — marginal, not radical — of the U.S. role in NATO. The allies forced Germany to be free after 1945; the time may be coming for Washington to force the European half of NATO to be more equal to the American half.

Strategy

NATO's policy has rested on the threat of U.S. nuclear escalation in the event of successful Soviet conventional attack. During the 1948 Berlin crisis, British Prime Minister Attlee said "there is no division in the British public mind about the use of the atomic bomb — they [are] for its use. Even the church in recent days has taken this position."² How times have changed! Anti-nuclear anxiety in Europe did not begin with the INF imbroglio, but the controversy made it broader and more difficult to manage.

The passing of more than two decades since the last Berlin crisis, and an impression of belligerence on Reagan's part following ineptitude on Carter's, led some Europeans

to fear American recklessness as much as Soviet aggression. The controversy over the neutron bomb presaged reaction to INF. Neither initiative represented a change in doctrine, though many in the public believed so. The decisions simply thrust into wider view the scheme of deterrence that NATO's elites had preferred for years, but that NATO's masses had never wholeheartedly endorsed. As Lawrence Freedman notes, "It is becoming difficult to introduce the weapons deemed necessary to implement NATO's established doctrine. When put on the spot, liberal politicians do not wish to be perceived to be erring on the side of the apocalypse."³

The divergence between public opinion and official doctrine is compounded by longstanding ambiguities in conceptions about America's commitment to escalation. European governments traditionally focused on "coupling": the assurance that all U.S. nuclear forces would be available to strike at the Soviet homeland if Communist armies were to roll across Germany. Some Americans, and the Soviets, prefer to avoid commitment to full-scale escalation.

In secret negotiations in 1972, the USSR proposed agreement that, in the event of war, any use of nuclear weapons would be restricted to the territory of allies, with the respective superpower homelands being maintained as sanctuaries. The United States rejected this proposal,⁴ but its allies have had rude reminders to doubt U.S. credibility. In 1979, Henry Kissinger suggested that, contrary to his assurances as secretary of state, extended deterrence — the American guarantee that we would use nuclear weapons first if a Soviet conventional attack against Europe succeeded — could no longer be assumed. In 1983, Robert McNamara wrote that, contrary to the official policy he had represented abroad when he was secretary of defense, he had privately advised Presidents Kennedy and Johnson unequivocally against the first use of nuclear weapons under *any* circumstances — and that he believed they agreed.⁵ European governments, for their part, had accepted the development of short-range *tactical* nuclear weapons while resisting the logic behind them: that nuclear war might be kept limited. They requested INF in the late 1970s — a fact ignored by much of the peace movement, which believes the new missiles were foisted on Europe by Washington — to blur the difference between tactical and strategic nuclear forces and reduce the feasibility of confining nuclear exchanges to the theater.

European governments implicitly agreed with the Soviet view that the use of Pershing IIs or GLCMs would ensure Soviet retaliation against the American homeland. Though this rationale was not accepted by peace activists, the new intermediate-range missiles "increase the risk to America, not to Europe; logically the public demonstrations against them should be on the American side of the Atlantic."⁶ Indeed, the American anti-nuclear movement implicitly calls into question the U.S. commitment to NATO, because war in Europe is the contingency that could most readily lead to nuclear detonations in the United States.

These controversies reflect the great dilemma that deterrence theories have never resolved. Nuclear threats minimize the probability of war by making its consequences so awful that no leader dares to start it. In periods of calm, this reasoning is acceptable because only professional analysts bother to contemplate the problem. But it is in periods of

calm that deterrence is least needed.

When tension rises, deterrence becomes more important because war becomes less impossible — and, for that same reason, ordinary people recoil from official doctrine, fearing that it might be implemented. Thus, some confusion about commitments is functional: it permits avoidance of a choice between the extremes of giving up nuclear deterrence of conventional attack and fracturing the alliance. An endorsement of confusion sounds cynical, though, and cynicism is an uncomfortable basis for relations among democratic allies.

Other confusions complicate the East-West dimension of the INF issue. In theory, *détente* involved the acceptance of nuclear parity and equal rights for the Soviet Union in the international arena. What this means was never spelled out during the negotiation of the 1972 Basic Principles Agreement.⁷ The Soviets charge that American Pershing IIs and GLCMs violate equality because they circumvent the limits of the SALT treaties. The United States responds that its new missiles only counter comparable Soviet systems that threaten Western Europe.

Moscow argues that while SS-20s cannot hit the United States, Pershing IIs and GLCMs can reach the USSR; in the Soviet view, the real analogue to U.S. INF in Europe would be Soviet INF in Cuba. Washington went to the brink of war in 1962 to prevent the latter and secured Soviet agreement not to station such weapons in Cuba in the future. The Soviets argue that their withdrawal was made in tacit reciprocity for the removal of old U.S. missiles then stationed in Europe. The United States denies the *quid pro quo*⁸ and rejects the analogy of Moscow's role in protecting Cuba with Washington's responsibility for Western Europe. U.S. insistence on the exclusion from the western hemisphere of Soviet weapons comparable to those in Europe implicitly reflects a distinction between American and European security. Even Europeans critical of U.S. policy do not endorse the Soviet analogy, lest it highlight questions about U.S. commitment.

Until the late 1960s NATO's strategic dilemmas were softened by U.S. nuclear superiority, and until the late 1970s they were softened by *détente*. Europeans still want the U.S. security guarantee, but now they favor parity (rather than superiority) because it is the price of *détente*. Helmut Schmidt's famous 1977 London speech, often described as the impetus for INF, reflected this judgment; he did not mention the SS-20 *per se*, only the need to compensate for U.S.-Soviet strategic nuclear parity by establishing parity at lower levels of the military balance.

The 1979 dual-track decision aimed to move the balance in the direction of overall parity. However, the superpowers' inability to agree on what distribution of forces would embody the vague norm of parity was gravely aggravated by INF. This sort of dispute was meant to be addressed in earlier negotiations, but Soviet reaction to deployment was so intense that disputes derailed diplomacy.

Diplomacy

U.S.-Soviet relations have become so hostile that the chances for any arms control solution to the INF issue appear remote, and negotiations are now dominated by the question of space-based defenses against strategic nuclear missiles. Even if an INF agreement came within reach,

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NATO's attention would shift to short-range Soviet systems that can cover many of the same targets as the SS-20. Similarly, the Soviets would move their focus to new American sea-launched cruise missiles that could partially substitute for land-based Pershings and GLCMs.

The best course for the West — for military as well as diplomatic reasons — would be to ignore both of these concerns. Even if new Soviet deployments increase the absolute threat, the relative distribution of forces will still be more favorable to NATO than before; in 1979, there were no U.S. intermediate-range missiles to counter the SS-20s, whereas once the current deployments are completed, there will be hundreds. Once each side secured, years ago, capability for "assured destruction" of the other, any absolute increments in weaponry became less significant than shifts in the ratio between the two sides. But after all the shouting on both sides about the nuclear imbalance, it would take heroic statesmanship to overlook additional changes.

Even in a better atmosphere, an INF agreement would now be unlikely without the tacit inclusion of British and French nuclear forces in the calculus of negotiations, but governments on both sides of the Atlantic have adamantly declared that issue inadmissible. Earlier the Soviets may have been willing to overlook British and French forces, but that is no longer the case; how to deal with these forces has become a principal sticking point in negotiations. Moscow demanded that Washington not deploy *any* INF and offered in exchange to eliminate its own comparable systems *except* for a number to balance the British and French missiles. The Reagan administration's "zero solution" arms control proposal — its offer to refrain from deployment if the Soviets dismantled *all* their intermediate-range missiles — defined parity in U.S.-Soviet terms. Moscow, on the other hand, viewed parity as a matter of balance between NATO and the Warsaw Pact. If this disagreement could be finessed by an arrangement such as the "walk in the woods" formula, the result would be ideal. If there was ever any chance for such a deal, Washington should have jumped at it.⁹

Unhappily, it is difficult to avoid conceding that there is

some logic to the Soviet position on allied forces. One counterargument is that British and French missiles are not "theater" weapons, but that instead they constitute "minimum deterrent" strategic forces that are distinct from the currency of INF arms control. Given the plans that are in place to MIRV these missiles (that is, put multiple warheads on them), allied forces will clearly exceed a minimum deterrent. If superpower strategic arms control talks were to succeed in a major way — say, by achieving reductions in the number of U.S. and Soviet warheads to 5,000 for each side — modernization programs would give Paris and London about 20 percent of the U.S. total.¹⁰

By focusing on U.S.-Soviet warhead totals when Moscow appeared willing to deal in terms of East-West launcher totals, we may have lost the best chance to circumvent the issue of allied MIRVing. Moreover, for allies to exempt their forces from the negotiations on the grounds that they are "strategic" is inconsistent with European opposition to a separation between U.S. tactical and intercontinental nuclear weapons; our allies have argued that all nuclear weapons should be integrated in a "seamless web" of deterrence.

Even Americans critical of the Reagan administration can be irritated that some Europeans find fault with the United States for not being sufficiently committed to the arms control half of the 1979 decision. European governments have been no more flexible than Washington on the inclusion of allied forces. If America's allies had accepted the idea that Moscow deserves some allowance to offset other hostile forces, it would have been difficult for Reagan to resist serious negotiation on Andropov's final proposal in 1983.

The zero solution was a good opening gambit, because it symbolized a commitment to serious disarmament. But it was an utterly unrealistic demand for Soviet concessions. Had it been implemented, it would not simply have restored the pre-SS-20 status quo; it also would have required the dismantling of capabilities that Moscow had had *since the 1950s*: old SS-4 and SS-5 mis-

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siles. This would have increased the significance to the Soviets of British and French forces; considering those forces, the zero solution would have replaced Soviet theater superiority not with parity, but with inferiority.

If there were any chance that the Kremlin would be so gracious as to accept such a weakening of its position, there would be no strategic problem in the first place. The Reagan administration might be content to fulfill the deployment half of the dual decision and let arms control languish, but that course could revive latent intra-alliance tensions — and a permanent collapse of arms control could truncate deployment as wavering European governments slated to receive missiles jumped off the fence.

Even if no accord is reached in Geneva, a willingness to make further concessions would gain more for NATO cohesion than it would lose in the military balance. Anti-nuclear constituencies have passed their peak of power, but policy should aim to keep them on the run. Moreover, the appearance of "more reasonable" U.S. attitudes on nuclear arms control would increase the political chances for an expansion of conventional defense efforts, which are of greater interest to the United States than the INF balance. In any case, full NATO deployment is no more valuable in military, political, or economic terms than reduced Soviet deployment.

There are numerous conceivable formulas for prudent concession. One element could be the elimination of Pershing IIs — which Moscow cites as most threatening — and the retention of some number of GLCMs. This tack would play against protestors in West Germany (the only country to receive Pershing IIs), where reconstitution of the security consensus is most vital to NATO. The number of GLCMs to be retained could be set somewhere within a range that compromised between Moscow's counting standard (which includes British and French forces) and NATO's (which does not).

This approach would be more generous to Moscow than the "walk in the woods" formula, while representing an advance for NATO in the INF balance relative to what it would have been without the 1979 decision. Moreover,

the net strategic loss to NATO from a big INF compromise would be slight against the backdrop of other U.S. programs that alarm Moscow — especially the so-called Star Wars initiative and anti-satellite weaponry. And if the Soviets were to refuse such a generous offer on INF, Washington's having "bent over backwards" on arms control should make it politically easier for NATO to fulfill deployment. If magnanimity made European elites nervous again about the firmness of U.S. military commitment, the burden of reassuring European publics that the danger of nuclear war is manageable would fall on them rather than on Uncle Sam.

Politics

No alliance is ever free of discord or contradictions, any more than is any nation's own political system. What is most remarkable about NATO is how untroubled it has been over almost four decades. The greatest jolt to the organization was de Gaulle's removal of France from the integrated command in 1966. But France remained in the alliance and under Mitterrand has been more supportive of U.S. policy than most other members.

Judging by this happy history and taking into account the force of inertia, NATO should weather the INF problem. Underlying shared and vested interests outweigh differences over particular issues. NATO is so institutionalized that immobility is more likely than major change. No equilibrium, however, lasts indefinitely. Indeed, if Americans had been told in 1949 that U.S. troops would still be in Europe 36 years later, they would have laughed in disbelief or rebelled.

The question is not whether the current structure will endure, but whether change in it will come in the near future or the far future. NATO should hope for the latter, so that organizational evolution follows a tempering of the external threat that is NATO's *raison d'être*, rather than being the result of internal decay. But the postponement of radical change may require moderate change.

How long NATO as we know it can persevere depends on

how well it manages two sets of contradictions. Near-term prospects are contingent on the tamping down of tensions highlighted by the INF controversy — between the traditional elite views in Europe and the United States about strategic doctrine, and between the strategic perspectives of elites on both sides of the Atlantic and the fears of their constituencies. Long-term prospects turn on efforts to address an underlying contradiction: The distribution of burdens and responsibilities for European defense dictated in the immediate postwar period — when Europe was ravaged and the United States rich — has not changed radically in an era when Europe's economy rivals America's. The two sets of differences are related. Controversies provide ammunition to minorities on both sides of the Atlantic who may again challenge the basic alliance consensus.

European elites have preferred deterrence that relies primarily on nuclear weapons. They accepted the Eisenhower policy of massive retaliation, resisted pressure from the Kennedy administration to move to reliance on conventional forces, and only grudgingly accepted the compromise doctrine of flexible response. The INF controversy complicated this pattern.

European governments have to recognize the implications of voters' anti-nuclear sentiments. Elite fears focus on decoupling of U.S. nuclear forces; public protests emphasize the concern that coupling is all too assured. The cleavage between European elites and masses has not propelled public opinion toward the U.S. preference for stronger conventional defense. Anti-nuclear activism did not concentrate on advocating conventional instead of nuclear deterrence, but on challenging the reliance on deterrence altogether.

The American anti-nuclear movement arose not so much from fear of nuclear war in Europe as from fear of nuclear devastation in the United States. The combination of anti-nuclear movements on both sides of the Atlantic creates a potential for mutual alienation, if both hawks and doves come to see alliance entanglement as the danger to survival.

"Pacifist-neutralist" European protests fuel the image

of ingratitude or effete-ness that irritates American "unilateralists." Nuclear anxieties raise the possibility of an anti-NATO Grand Coalition in the American polity, composed of right-wing unilateralists and left-wing anti-militarists. Preventing its emergence requires that the question of military burden-sharing — always a diplomatic issue — be kept from becoming a public issue in the United States, especially now as gaping budget deficits are accumulating.

At least half of the U.S. military budget is devoted to tasks associated with the defense of Europe.¹¹ Even before the substantial increase under Reagan, the United States regularly spent a larger portion of its GNP on military forces than European allies did of theirs. Since the late 1970s, per capita U.S. defense expenditures have been well over twice the average for European members of NATO. It would be easy for U.S. politicians to tell constituents that they were making greater sacrifices to defend Europeans than Europeans were making for themselves. A European rejoinder is that the United States spends more because it is a global power and defends interests that do not concern Europeans. By suggesting that strategic interests are differentiated in that way, the rejoinder opens the door to the argument that stakes in the security of Europe are also differentiated, being greater for those who live there than for Americans, who do not.

The aversion of many Europeans to identification with U.S. military functions elsewhere complements the logic of American unilateralists. There are trends in Reagan administration planning toward a "maritime strategy": more major investments in naval forces than in ground forces, which are now smaller in terms of manpower than they were even before the flexible response buildup of the 1960s. Moreover, improvements in ground forces focus on "light" divisions for Third World contingencies. These tendencies implicitly diminish the relative priority of NATO in U.S. strategy. That is an outcome that makes little strategic sense even for the United States, but perceived European recalcitrance promotes it.

Fortunately, there are powerful reasons why divisions

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should not override its traditional consensus. Even the most irritated American strategists understand that disproportionate burdens go with leadership. It should be some consolation to them that the Soviet Union bears an even more disproportionate burden in the Warsaw Pact than the United States does in NATO.

Most Americans prefer to remain the preeminent Western power, rather than becoming just one among equals. Moreover, neither of the two logical alternatives to U.S. commitment to NATO would be in America's interest. One is the development of a West German nuclear deterrent. Even if an independent European defense organization built conventional forces to match those of the Warsaw Pact — a course that is economically possible but politically infeasible — West Germany's exposure to Soviet power would make its reliance on a British and French nuclear umbrella an uncomfortable substitute for the American Strategic Air Command. The opposite alternative is some form of German "Finlandization" — political accommodation on terms favorable to Moscow.

The traditional NATO consensus, underlying dilemmas and all, will probably persist in the near future — by default if for no better reason. But while a major shakeup in the NATO structure is improbable, so is a perfect reestablishment of the traditional pattern. The gradual trend toward a greater role for European members of the alliance should continue; incremental change is the alternative to fundamental change. This increased role could entail organizational shifts. For example, Henry Kissinger has proposed that European governments be involved more closely in arms control and that the military post of supreme commander — always held by an American general — be given to a European.¹² These steps would run counter to the preferences of European elites, since they have sought to maximize U.S. responsibility in order to cement U.S. commitment. But increased popular unease should make the elites more interested in demonstrating that NATO is not an American fiefdom and that Europeans have some control over their own fates.

A marginal realignment of responsibilities should help brake public disaffection from NATO and the principle of deterrence. U.S. leaders should welcome it as a means to force European governments to share the onus for arms control problems and to renew efforts to shift the emphasis in military doctrine from nuclear to conventional forces. Europeans will never do more for conventional defense unless they are given a push. The Kennedy administration did this a dozen years after NATO was formed, at appreciable but acceptable cost to harmony among alliance elites. Now, two dozen years later, with the reluctance to rely on nuclear threats as prevalent in Europe as it is in the United States, another push is warranted.

Shifts in responsibility from the United States to the European members of the alliance increase the importance of how policy is coordinated among the Europeans. NATO has sixteen members, but U.S. strategists focus on the few core powers on the Central Front: Britain, France, and Germany. Others are usually considered peripheral, except when they must be stroked to secure cooperation on such specific matters as GLCM bases or naval facilities.

The U.S. focus reflects preoccupation with military functions and with the sector (Germany) where a NATO-

Warsaw Pact war would be decided. Yet the essential strength of the alliance lies in its breadth, shared purpose, and unity, which are politically determined. Reduced U.S. dominance implies an increased role for the members outside the inner core. The INF issue revealed the significance of this point. For Americans, Italy's quick cooperation in accepting GLCMs was as surprising and refreshing as the Netherlands' ambivalence was disappointing.

Two peripheral countries that pose interesting questions have not been major players on INF: Greece and Spain. Greece was of central importance at the beginning of the Cold War, the Truman Doctrine, and the militarization of containment. Today it presents the most glaring official challenge to the concepts behind NATO. Papandreou's rhetoric pooh-poohs the Soviet threat and suggests that Washington is more dangerous than Moscow. This is the one *governmental* manifestation of the revisionist anti-NATO, anti-deterrence sentiments that arose among protest groups in northern Europe. Greece's heresy is not a major threat to the stability of the alliance (it may even decline with time), but it prefigures the major changes that could occur if revisionists, who have heretofore been only on the fringe of policy-making (but who are disproportionately young and thus important for the future), were to come to power in northern European countries.

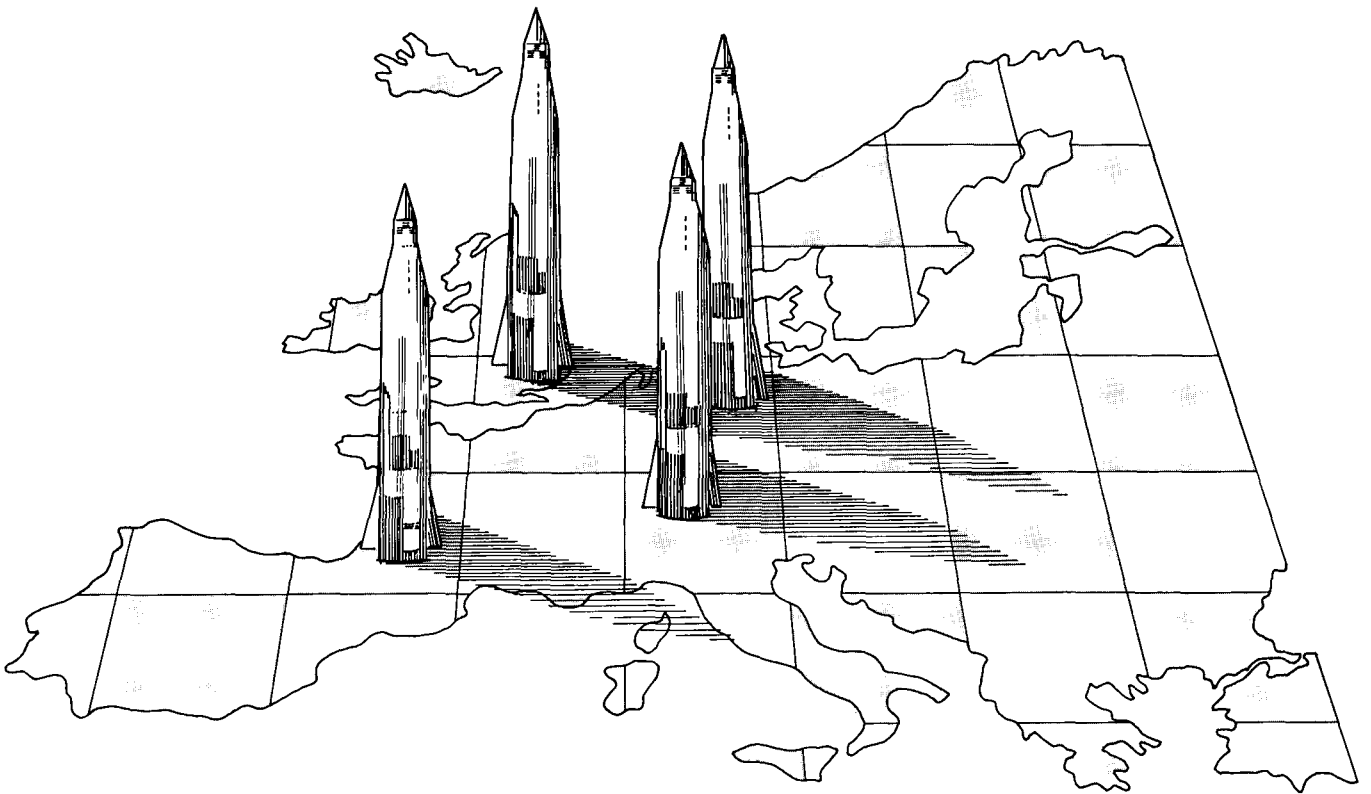
Spain, the newest entrant to NATO, is interesting because neither its elite nor its public has lived with the nearly forty years of experience that make the alliance seem to its other members such a natural and inevitable institution. For Madrid, membership is an act of will rather than a matter of inertia. Spain's location and politics, however, leave open the question not only of whether its entry will be permanent, but of whether it is motivated by the purpose of the organization. Some skeptics wonder whether the leaders who brought Spain into the alliance were concerned with joining in the containment of Soviet military power or with using the NATO affiliation to establish a new role within Europe and to divert the Spanish military from its traditional involvement in internal politics.

Such suspicions do not matter; motives are not mutually exclusive, and nothing is wrong with building an alliance on diverse interests. But a trend toward seeing NATO's *primary* functions as political rather than strategic would be worrisome, and this is one danger of according bigger roles to peripheral members.

European solidarity is a prerequisite to NATO's effectiveness, but is not its purpose. The purpose is defense against a threat, which is determined in Moscow. The strategic and political functions of the organization are intertwined. External threat is the impetus to cohesion, and cohesion is the principal source of deterrent power. The trick is to reinforce the complementary aspects of external and internal requirements and to gloss over or chip away at the contradictory ones.

Prospects

INF deployment was, if not a Pyrrhic victory, a tentative one. NATO proved it could resist both Soviet pressure and domestic dissent, but a decision meant to fortify flexible



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response sowed more doubts about the doctrine than it salvaged. Cancellation of deployment would have been disastrous, since the controversy made it a litmus test of NATO's capacity to act. The management of deployment became a perverse exercise in political damage limitation, but doctrinal ambivalence is inevitable so long as deterrence rests on the principle that if Soviet tanks punch into Europe, NATO will step toward holocaust before surrender.¹³

Two alternatives, neither of them likely to be implemented, would ease this dilemma and make INF on either side in Europe a less important concern. One is the radical reduction of reliance on nuclear deterrence through a dramatic improvement of capabilities for conventional defense. At best, European governments will move only incrementally in this direction. NATO countries outside the "core," whose officials are less fixated on the calculus of capabilities on the Central Front, may feel even less urgency about a conventional buildup. Incremental shifts in favor of conventional deterrence will not go far enough to justify nuclear "no-first-use," and, without no-first-use, doctrine will still pose the theoretical danger that worries protestors.

The other alternative is to reduce reliance on deterrence of any sort by negotiating radical reductions in the Soviet threat. This approach would be preferable but, for the foreseeable future, utopian. It would require not only significant controls on nuclear arms and tremendous progress in the Mutual and Balanced Force Reduction (MBFR) negotia-

tions on conventional forces, but a détente far more sweeping than existed even in the early 1970s.

The damage to East-West and West-West relations from INF has bottomed out, but must be prevented from growing again. With luck and skill, diplomats may bring the European security situation back to normal, but the normal situation is one in which latent dilemmas and contradictions remain unresolved, leaving open the potential for specific issues to cause disarray again in the future. For NATO to muddle through its next internal crisis successfully, some devolution of responsibility in the alliance may be helpful. The time has passed when Washington could define doctrine and manage initiatives simply by massaging doubts in a few European capitals.

The question is not just what strategic doctrine should be, but whether any doctrine that makes sense to strategists can be sustained without eroding the consensus that is NATO's primary *basis* of deterrence. Yet solidarity is a necessary but not sufficient condition for the health of the organization. Changing doctrine for the sake of cohesion, in a way that is not strategically sensible, vitiates the *purpose* of deterrence and, therefore, of NATO itself.

Will NATO's populations consciously support any coherent deterrence doctrine — whether nuclear or conventional in emphasis? If not, will the essence of the alliance crumble whenever anti-military opinion grows again or moderates decide that strong deterrence is not

worth the price of complicating détente? Or will equilibrium be reestablished simply by the suppression of anxiety, the public's drift back toward inattention, and the cession of strategic disputes to the corps of officials and experts who have always dealt with them?

The last alternative would be dispiritingly elitist, going against the democratic norms that provide so much of the affinity between nations in the alliance. But it is more likely than the first alternative and preferable to the second, and it is not utterly cynical; opinion polls in Germany and other countries indicated that majorities opposed INF and were not inclined to make major new economic sacrifices for conventional defense, yet they supported NATO's purpose. If the moderate majority retreats from anxiety by handing problems back to the elites they have elected, the process is still democratic—republican rather than plebiscitarian, but democratic nonetheless.

Debate cannot and should not be fully suppressed in a nostalgic attempt to reestablish perfectly the old consensus (which was never perfect anyway); consciousness of dilemmas has gone too far for that. But debate might be kept back within the normal contours of alliance policy-making of the last twenty years: tinkering with flexible response and arms control.

No doctrine can resolve the military and diplomatic dilemmas of deterrence and détente, short of radical extremes: pacifism, which is unprovocative but unsafe, or overwhelming military superiority, a perfect deterrent that is unattainable even if desirable. In the quarter century since the last case in which direct Soviet aggression against NATO appeared possible (the 1961 Berlin crisis), growth in Soviet capabilities has reduced the degree to which any western military options can increase confidence, while a generation of European voters has emerged whose political consciousness was forged under détente rather than in the Cold War.

U.S. policy cannot afford to trample either on the anxieties of traditional European elites about U.S. commitment or on the anxieties of younger Europeans who will be the elites of the future. To hedge against both potential problems, the United States should mute the nuclear element of its policy for awhile—Reagan's assertiveness and defense budgets have accomplished the purpose of showing Moscow that Uncle Sam is back—and press a bigger share of responsibility for security policy onto allied governments. The adjustments are linked; the alternative to European discomfort with excessive dependence on a Washington seen as either too timid or too belligerent is to modify the dependence.

NATO cannot solve its dilemmas, but must find ways—part old, part new—to live with them. Though voters worry when forced to confront the stakes, managing contradictions and living with risks are the stock in trade of politicians. Tolerating doubts about doctrine is also no more dangerous than the alternatives. Deterrence is not delicate and can even thrive on confusion about what makes it work. When no single doctrine can fully achieve each of several competing aims, confusion helps if it prevents the sharpening of contradictions between interests within the alliance and precludes Soviet certainty in calculating the consequences of its going to war.

A democratic alliance, like a democratic government, can remain stable on the basis of a fundamental con-

sensus about general ends that overlays messy disputes about particular means. Too much confusion is dangerous, too little weakens internal confidence. Like a sailboat tacking in the wind, U.S. policy has to alternate emphasis on two goals: Political solidarity and strategic security depend on each other. The challenge remains to prevent the requirements of strategy and cohesion from coming into greater conflict—to make policy decisions matters of how to combine security and solidarity, rather than choices *between* them.

1. Michael Howard, "Deterrence, Consensus and Reassurance in the Defence of Europe" in *Defence and Consensus: The Domestic Aspects of Western Security, Part III*, Adelphi Paper 184 (London: IISS, Summer 1983), pp. 17–26.

2. Quoted in Hannes Adomeit, *Soviet Risk-Taking and Crisis Behavior* (London: George Allen & Unwin, 1982), p. 17.

3. Lawrence Freedman, "NATO Myths," *Foreign Policy* no. 45 (Winter 1981–1982), p. 49.

4. Henry Kissinger, *Years of Upheaval* (Boston: Little, Brown, 1982), p. 277.

5. Henry Kissinger, "NATO: The Next Thirty Years," *Survival* 21, no. 6 (November/December 1979), pp. 264, 266; Robert S. McNamara, "The Military Role of Nuclear Weapons: Perceptions and Misperceptions," *Foreign Affairs* 62, no. 1 (Fall 1983), p. 79.

6. Henry Kissinger, "Strategy and the Atlantic Alliance," *Survival* 24, no. 5 (September/October 1981), p. 197.

7. See Alexander George, ed., *Managing U.S.-Soviet Rivalry* (Boulder: Westview Press, 1983).

8. In the 1962 crisis, U.S. leaders encouraged Moscow to expect the withdrawal of missiles from Turkey, but took care to deny that it was part of a deal. The official reason given for the withdrawal of old missiles was that they were obsolete, not illegitimate, and that their missions would be performed by new intercontinental ballistic missiles being deployed in the United States at the time. This was long before the United States accepted the principle of nuclear parity. Moreover, American Mace B missiles with a range of 1,500 miles (and thus the capability to hit the USSR) remained in Germany until as late as 1969.

9. In 1983, the U.S. and Soviet ambassadors to the INF negotiations informally discussed an agreement that would limit the Soviets to 75 SS–20 launchers and the Americans to 75 GLCM launchers. Neither government accepted the formula.

10. Jonathan Alford, "The Place of British and French Nuclear Weapons in Arms Control," *International Affairs* (London) 59, no. 4 (Autumn 1983), pp. 569, 572.

11. The complexity of military forces and their applicability to more than one contingency preclude any precise estimate. The U.S. planning concept under flexible response allocated 17 of 28 and one-third ground force divisions and 25 of 41 fighter aircraft wings—about 60 percent of the totals in both cases—to Europe. See William W. Kaufmann, *Planning Conventional Forces* (Washington, D.C.: Brookings Institution, 1982), p. 7. The bulk of the Navy is justified by the mission of protecting supply lines to Europe. It is also reasonable to argue that without the commitment to extended deterrence in Europe, the United States would have viewed the requirement for deterring Soviet nuclear attack on the continental United States more modestly, so that some appreciable proportion of costs for the Strategic Air Command and Fleet Ballistic Missile force should be allocated to the NATO mission.

12. Henry Kissinger, "A Plan to Reshape NATO," *Time Magazine*, February 28, 1984.

13. For elaboration, see my "Compound Deterrence vs. No-First-Use: What's Wrong Is What's Right," *Orbis* 28, no. 4 (Winter 1985), and "Conventional Deterrence: Predictive Uncertainty and Policy Confidence," *World Politics* 37, no. 2 (January 1985).

Vice President Bush on Nuclear Nonproliferation

AT A CONFERENCE held at Brookings on the role of the International Atomic Energy Agency in limiting the spread of nuclear weapons, Vice President George Bush observed that "for all its importance, the struggle to curb nuclear proliferation is not a dramatic topic. Its battles are fought not on the battlefield or in the headlines, but in quiet places—in embassies, at meetings of technical experts, and in safeguards laboratories." Addressing an audience of government officials from the United States and abroad, Bush said that the U.S. philosophy of nonproliferation has four main elements: first, that nuclear energy is vital to economic, medical, and agricultural progress; second, that "the spread of nuclear weapons of war undermines regional and global stability"; third, that since no one nation has a monopoly on nuclear weapons or the materials and methods needed to produce them, nonproliferation requires continuous international cooperation and diplomacy; and fourth, that time is a positive force, because "every day strengthens the web of agreements, technical requirements, safeguards, and enforcement procedures already in place." The gathering at which Bush spoke was cosponsored by Brookings and Resources for the Future.



Vice President George Bush



James L. Sundquist

Photograph by Linda Bartlett



Edward F. Denison

Sundquist Honored

JAMES L. SUNDQUIST, senior fellow emeritus in the Brookings Governmental Studies program, was selected by the American Political Science Association to receive the 1985 Charles E. Merriam Award for lifetime accomplishments in political science. Sundquist, who came to Brookings in 1965, retired on June 30. He is the author of six Brookings books, including *Dynamics of the Party System: Alignment and Realignment of Political Parties in the United States* and *The Decline and Resurgence of Congress*.

Denison Named to Academy

EDWARD F. DENISON, senior fellow emeritus in the Economic Studies program, has been elected to membership in the National Academy of Sciences. Denison's most recent book, *Trends in American Economic Growth, 1929-82*, continues his pathbreaking work on economic growth accounting. His previous Brookings books include *Accounting for Slower Economic Growth: The United States in the 1970s* and *Accounting for United States Economic Growth, 1929-1969*.

A Political Turning Point

The New Direction in American Politics

Edited by John E. Chubb
and Paul E. Peterson

\$9.95 paper; \$26.95 cloth.



THE LANDSLIDE VICTORIES of President Ronald Reagan in the 1980 and 1984 elections mark a major turning point for the American political system, say the editors of a new Brookings study — not only because of election outcomes, but also because of major changes evident in the nation's political institutions and policies.

In *The New Direction in American Politics*, editors John E. Chubb, a senior fellow in the Governmental Studies program, and Paul E. Peterson, the director of that program, find that in recent years the American political system has been transformed to an extent not seen since the days of Franklin D. Roosevelt and the New Deal. The key issue in judging the realignment, they write, is not the magnitude of the shift in voting patterns, but whether that shift has put into place institutional and policy changes that clearly distinguish American politics today from the politics of the past.

These changes are examined in this book by 14 political analysts, who discuss the major components of the political system — from voters and elections to institutions and major policy areas. Each essay compares developments during the 1980s to trends that were in place before President Reagan took office.

The analyses collected in this volume reveal substantial divergences from past patterns, even though continuity is strong in the House of Representatives and state governments. In the electoral sphere, the president won resounding victories in 1980 and 1984; Republicans have been the majority in the Senate since 1981; more voters consider themselves Republicans than at any time in the last 20 years; and the Republican party's treasury has never been so well-endowed.

As for institutional matters, Reagan has centralized and politicized the executive branch, built a conservative majority in support of his program in Congress, altered the shape of American federalism, and used the public relations power of the presidency with extraordinary effectiveness, Chubb and Peterson write.

In the realm of policy, the Reagan administration has cut taxes, reduced entitlement programs, slashed other domestic programs, boosted national defense, and created unprecedented budget deficits. Most recently, the editors note, the president has advocated a strategic defense initiative and proposed an overhaul of the tax code.

"These kinds of electoral, institutional, and policy changes are quite outside the usual scope of American politics," Chubb and Peterson assert. Usually the workings of American government are resistant to change; most of the time voters do not switch their party identifications, and "even if their opinions on issues change, policy consequences are slow to follow," they write. There have been only five other times in American history — 1800, 1828, 1860, 1896, and 1932 — when leaders moved the political system as substantially in a new direction, according to the editors.

Chubb and Peterson judge that the policy innovations brought about during the Reagan administration "are likely to be equal in their long-term significance to any associated with previous realignments." The changes were accomplished through two devices, they write: presidential control of the policy agenda and extraordinary party cohesion in the House and Senate.

Chubb and Peterson adopt a broader perspective than that used by observers in the past to assess realignments. Analysis that focuses only on electoral elements overlooks the creation by political leaders of policy and institutional changes that the electorate continues to endorse, they write.

The essays contained in *The New Direction* volume include analyses of: — realignments in the partisan preferences of American voters, by Thomas E. Cavanagh, senior research associate at the National Academy of Sciences, and

"A new direction has already been taken in American government that is comparable in basic respects to realignments of the past. The terms of political debate and the course of public policy have been fundamentally transformed . . . Big deficits, strong defense commitments, and doubts about the welfare state will shape the political and policy future — whatever the fate of parties or presidents in particular elections."

James L. Sundquist, senior fellow in the Brookings Governmental Studies program;

— the effects of economic prosperity on President Reagan's popular appeal, by D. Roderick Kiewiet, associate professor of political science, and Douglas Rivers, assistant professor of political science, both at the California Institute of Technology;

— the relationship between incumbency and realignment in congressional elections, by John A. Ferejohn, professor of political science at Stanford University and senior research fellow at the Hoover Institution, and Morris P. Fiorina, professor of government at Harvard University;

— the 1984 presidential campaign and its lessons for governing, by Samuel Kernell, senior fellow in the Brookings Governmental Studies program;

— the campaign finance system and the advantage it confers on Republicans, by Gary C. Jacobson, professor of political science at University of California, San Diego;

— the comeback of national political parties (with a headstart to the Republicans), by A. James Reichley, senior fellow in the Brookings Governmental Studies program;

— the growing tension between party and constituency in congressional policy-making, by Steven S. Smith, senior fellow in the Brookings Governmental Studies program;

— the trends toward centralization and politicization of the presidency, by Terry M. Moe, senior fellow in the Brookings Governmental Studies program;

— deep cuts in federal aid to state and local governments, by John E. Chubb;

— increased control over entitlements policy, by R. Kent Weaver, research associate in the Brookings Governmental Studies program;

— President Reagan's national security policy and the Soviet reaction to it, by John D. Steinbruner, director of the Brookings Foreign Policy Studies program;

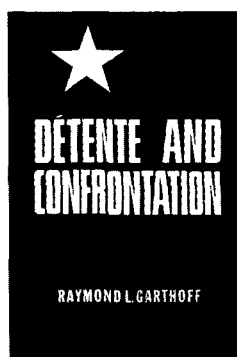
— the political factors that have generated large deficits, by Paul E. Peterson.

Editors Chubb and Peterson argue that President Reagan's policy triumphs represent more than the victories of a president during his honeymoon, because the changes are connected to the long-term evolution of national political institutions—including the increased power of the White House to set the policy agenda and the decreasing ability of Congress to set an agenda for itself. They predict that "big deficits, strong defense commitments, and doubts about the welfare state will shape the political and policy future — whatever the fate of parties or presidents in particular elections."

The Dynamics of Détente and its Demise

*Détente and Confrontation:
American-Soviet Relations
from Nixon to Reagan*

By Raymond L. Garthoff
\$16.95 paper; \$39.95 cloth.



IN *Détente and Confrontation: American-Soviet Relations from Nixon to Reagan*, Raymond L. Garthoff provides a detailed account and analysis of the interaction between the two superpowers from 1969 to 1984. Garthoff, a senior fellow in the Foreign Policy Studies program at Brookings, emphasizes the crucial role of perceptions in the evolution of the American-Soviet relationship: "Conceptual divergences were compounded by perceptual differences that led the two sides to interpret the same developments differently, often with adverse impact on judgments about the motives of the other side."

Détente, Garthoff writes, was a reasonably successful way to control competition between the United States and the Soviet Union and to safeguard their common interest in survival. "The renewal of confrontation and the jettisoning of détente," he finds, "have not provided a viable alternative." Garthoff, who served as a member of the SALT I delegation and as ambassador to Bulgaria, observes that U.S. policy-makers now want to deal from strength with the Soviets, but to deal nonetheless.

According to the author, the United States and the Soviet Union had different understandings of what détente meant in concept — and different expectations about what it would produce in practice. The outcome, on both sides, was disillusionment. The conjunction of interests that occurred at the May, 1972, summit was shortlived and was succeeded by a gradual deterioration in relations between the two countries. Eight years later, they took a sharp turn: "In the opening days of 1980, the weakened structure of détente collapsed in the aftermath of the Soviet occupation of Afghanistan and the ensuing American reaction. There followed a return to confrontation unmatched in two decades."

Détente and Confrontation covers a lot of territory, geographically and conceptually. It includes extensive discussions of arms control negotiations, of the shifting role played by China in the relationship between America and the Soviet Union, and of competition in the Third World between the two superpowers. In a section on Afghanistan, Garthoff presents new documentary evidence, culled from a large batch of cables seized by the Iranian militants who occupied the American embassy in Tehran and subsequently published in Iran. The cables make it clear that U.S. diplomats in Kabul had a solid understanding, many months before the Soviet invasion, of the Soviet push to achieve a radical change in the Afghan government. In the event, Garthoff writes, the Soviet move into Afghanistan was the trigger for the release of tensions that had been building up in the American-Soviet relationship since Angola.

Garthoff identifies five basic reasons for the disintegration of détente. First, as noted above, the United States and the Soviet Union had fundamentally different conceptions of détente's purpose and role. Second, both countries missed opportunities to use collaborative measures to meet security requirements. Third, they were unable to transform their recognition of strategic parity into a common political standard to govern their competitive actions. Fourth, each power felt that the other was acquiring military capabilities in excess of what it needed for deterrence. Finally, according to Garthoff, each failed to understand the crucial relationship between détente and the internal politics of the other.

The End of an ERA?

ACCORDING TO Gilbert Y. Steiner, a senior fellow in the Brookings Governmental Studies program, the Equal Rights Amendment (ERA) might have swept to ratification if every state legislature had been in session between March, 1972, when Congress completed action on the amendment, and the end of that year. However, Steiner observes in *Constitutional Inequality: The Political Fortunes of the Equal Rights Amendment*, only 33 state legislatures were in session, making ratification in 1972 by the necessary 38 states mathematically impossible. In 1973 and thereafter, says Steiner, a combination of unrelated and essentially unpredictable events first blocked ratification of the ERA and then blocked its resurrection in Congress.

The unpredictable event most destructive to the ERA was the Supreme Court's 1973 decision decriminalizing abortion. Subsequently, anti-abortion activists began to work in earnest against the ERA, fearing that it would strengthen the hand of the pro-choice movement. By 1976, these activists secured a congressional decision to prohibit the use of medicaid funds for the financing of abortions—and many of them then argued that under an ERA this proscription would be struck down and access to abortions made easier.

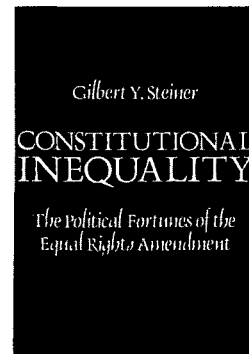
Similarly unpredictable was the emergence of Senator Sam Ervin, who chaired the Watergate hearings in 1973-74, as a national hero. Ervin, who came to be viewed as a "savior of the Constitution," says Steiner, had been a longtime foe of the ERA. His opposition to the amendment became more influential as his stature increased.

A third unpredictable complication developed after Congress, in 1979, granted a 39-month extension of the ratification period: The Soviet invasion of Afghanistan raised anew concern about women being sent into combat if the ERA were adopted. Steiner argues, however, that it was the linkage drawn between the ERA and abortion—and cited in state legislatures in 1981 and 1982 and later in the Senate and House deliberations about ERA II—that brought on final defeat. "Expansion of abortion rights is a heavier weight than the ERA seems able to carry," he writes.

Steiner's judgment is that at both the congressional and state levels, the equal rights amendment has a brighter past than future. Weakened by disputes over abortion and women in combat and by procedural blunders made by its sponsors, the fortunes of the amendment are in decline. Steiner suggests that proponents of the ERA work for a Supreme Court finding that sex is a "suspect classification" presumptively violative of the equal protection clause of the fourteenth amendment. Such a ruling would advance the principal objectives of the ERA's sponsors and sidestep the political barriers that now stand in the way of legislative action.

Constitutional Inequality: The Political Fortunes of the Equal Rights Amendment

By Gilbert Y. Steiner
\$8.95 paper; \$22.95 cloth.





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